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LEATHER WEARING APPAREL

Report to the President on
Investigation No. TA-201-40
Under Section 201
of the Trade Act of 1974

COMPLETED
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UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Catherine Bedell, Chairman
Bill Alberger, Vice Chairman
George M. Moore
Paula Stern

Kenneth R. Mason, Secretary to the Commission

This report was prepared principally by

Patrick J. Magrath, Investigative Staff

Import sample analysis, Frank C. Mitko, Office of Economic Research

Statistical assistance, John Allen, Investigative Staff

E. William Fry, Supervisory Investigator

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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(202) 523-0161

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CONTACT: Hal Sundstrom
(202) 523-0161

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USITC REPORTS TO PRESIDENT ON IMPORTS OF LEATHER WEARING APPAREL

The United States International Trade Commission has reported to the President its unanimous determination that imports of coats and jackets of leather, admitted under item 791.76 of the Tariff Schedules of the United States, are a substantial cause of serious injury, or the threat thereof, to the domestic industry.

Concurring in the determination were Chairman Catherine Bedell, Vice Chairman Bill Alberger and Commissioners George M. Moore and Paula Stern.

To prevent or remedy the serious injury to the domestic industry, the Commission also unanimously recommended to the President the imposition of additional rates of duty with respect to these coats and jackets of leather as follows: 1st year, 25 percent ad valorem; 2nd year, 20 percent ad valorem; and 3rd year, 15 percent ad valorem. These additional rates of duty apply only to those coats and jackets entering the United States valued at not over $150 each.

The Commission also unanimously determined that other wearing apparel of leather, such as vests, shirts, pants and shorts, is not being imported in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles.

Major sources of imported leather wearing apparel are South Korea, Taiwan and Argentina. In 1978, imports of leather wearing apparel from all sources were valued at about $318 million. There are about 100 domestic producers, located predominantly in the New York metropolitan area.

BEST DOCUMENT AVAILABLE

USITC REPORTS TO PRESIDENT ON IMPORTS OF LEATHER WEARING APPAREL

Imports of leather coats and jackets rose each year from 1975 to 1978, increasing about 145 percent on both a quantity and a value basis over the four-year period. U.S. producers' shipments, by contrast, declined over the period, as did net operating profits for the U.S. industry, which fell to under 3 percent of net sales for both 1977 and 1978. Imports as a percentage of apparent U.S. consumption rose each year from 1974 to 1978, accounting for 82 percent of the quantity of total U.S. consumption in 1978.

By statute, the President has 60 days in which to act on the Commission's recommendation. If he does not implement the Commission's remedy, he must so notify the Congress. The Congress may override the President's decision and order the implementation of the Commission's remedy recommendation.

The Commission's public report, Leather Wearing Apparel (USITC Publication 1030), contains the views of the Commissioners and information developed during the investigation (No. TA-201-40). Copies may be obtained by calling (202) 523-5178, from the Office of the Secretary, 701 E Street, NW., Washington, D.C. 20436; and from the USITC New York Office, 6 World Trade Center, Suite 629, New York, N.Y. 10048, telephone (212) 466-5599.

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REPORT TO THE PRESIDENT

United States International Trade Commission,
January 24, 1980.

To the President:

In accordance with section 201(d)(1) of the Trade Act of 1974 (88 Stat. 1978), the United States International Trade Commission herein reports the results of an investigation relating to leather wearing apparel.

The investigation to which this report relates (investigation No. TA-201-40) was undertaken to determine whether--

> leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS),

is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

The Commission instituted the investigation under the authority of section 201(b) of the Trade Act of 1974 on August 3, 1979, following receipt of a petition on July 24, 1979, filed on behalf of the National Outerwear and Sportswear Association, Amalgamated Clothing and Textile Workers Union, International Ladies' Garment Workers Union, United Food and Commercial Workers Union, and Tanners' Council of America, Inc.

Notice of the institution of the investigation and the public hearing to be held in connection therewith was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and by publishing the notice in the Federal Register of August 9, 1979 (44 F.R. 46955). The public hearing was held on November 6-7, 1979, in New York, New York. All interested parties

were afforded an opportunity to be present, to present evidence, and to be heard at the hearing. A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached.

The information in this report was obtained from fieldwork and interviews by members of the Commission's staff, from other Federal agencies, from responses to the Commission's questionnaires, from information presented at the public hearing, from briefs submitted by interested parties, and from the Commission's files.

DETERMINATION, FINDINGS, AND RECOMMENDATION OF THE COMMISSION

Determination

On the basis of the investigation, the Commission unanimously determines that--

1) coats and jackets of leather (provided for in items 791.7620 and 791.7640 of the Tariff Schedules of the United States Annotated), are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing articles like or directly competitive with the imported articles; and

2) leather wearing apparel other than coats and jackets (provided for in item 791.7660 of the Tariff Schedules of the United States Annotated) is not being imported in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industries producing articles like or directly competitive with the imported articles.

Findings and recommendation

The Commission finds and recommends that to prevent or remedy the serious injury to the domestic industry it is necessary to impose rates of duty, in addition to the present rates of duty, with respect to coats and jackets of leather provided for in item 791.76 of the Tariff Schedules of the United States, as follows--

Year	Articles valued at not over $150.00 each
1st year----------	25 percent ad valorem
2nd year----------	20 percent ad valorem
3rd year----------	15 percent ad valorem

VIEWS OF CHAIRMAN CATHERINE BEDELL, AND COMMISSIONERS
BILL ALBERGER, GEORGE M. MOORE, AND PAULA STERN

On the basis of information obtained in this investigation, we determine that coats and jackets of leather for men and boys, and women and girls, provided for in TSUS item 791.76, are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing like or directly competitive products. We have further determined that no injury or threat thereof is being suffered by a domestic industry from imports of other items of wearing apparel of leather provided for in TSUS item 791.76.

The Trade Act of 1974 requires that each of the following conditions be met before an affirmative determination is made:

(1) There are increased imports (either actual or relative to domestic production) of an article into the United States;

(2) The domestic industry producing an article like or directly competitive with the imported article is seriously injured, or threatened with serious injury; and

(3) Such increased imports of an article are a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

U.S. Industry and the Imported Article

In 1978, approximately 100 firms were engaged in the production of leather wearing apparel. Generally, these producers operate a single establishment and concentrate resources on the production of either men's and boys' or women's and girls' apparel, although some firms produce apparel for both sexes. A number of these firms also produce textile apparel.

In this industry many firms do not produce specific articles on a continuing basis, choosing instead to adjust production according to demand, which is seasonal. Producers may change product-mix by switching the production from men's to women's apparel, or from leather to textile apparel, or they may frequently change capacity and employment. In addition, it is common practice within the industry to employ outside contractors for part of the cutting or sewing operations, especially during peak periods. Fluctuations of this nature are particularly characteristic of the production of women's leather apparel. */

*/ Commissioner Stern notes:

Although questionnaire responses received by the Commission reflect the difficulty inherent in recording frequent fluctuations of this type, the data gathered by the Commission is representative of the industry, as most of the major producers provided the information requested in all questionnaire categories. The output of the ten largest firms in the industry constitutes over 50 percent of total production.

The Commission's investigation encompassed all types of articles of leather wearing apparel imported into this country under TSUS item 791.76. Information obtained during this investigation revealed, however, that leather coats and jackets composed the vast bulk of domestic production of leather wearing apparel, with other items such as leather vests, skirts, and pants, constituting only a small portion of total imports. The value of vests, skirts, and pants amounted to only eight percent of the total value of imports of all leather wearing apparel in 1978. The competition from foreign imports in this segment of the market is quite limited, and we do not find injury. For coats and jackets, where competition is intense, we do find serious injury, and it is toward this segment of the market that the following findings for the most part are directed.

Increased Imports

On a value basis, imports of all leather wearing apparel increased by 143 percent from 1975 to 1978, while a small decline occurred during the first eight months of 1979. Imports of leather wearing apparel as a percentage of U.S. producers' shipments also increased in each year from 1975 to 1978, rising from 157 percent in 1975 to 442 percent in 1978. Imports of leather coats and jackets increased each year, rising from 4.0 million units in 1975 to 9.8 million

units in 1978, an increase of 146 percent. During this period, women's and girls' coats and jackets accounted for about half the value of total imports. In the period January-August 1979, however, men's and boys' leather coats and jackets accounted for 56 percent of the total value, while imports of women's and girls' leather coats and jackets dropped to 37 percent.

Serious Injury

The Trade Act does not define the term "serious injury" but instead provides guidelines in the form of economic factors the Commission is to take into account. Section 201(b)(2) of the Trade Act provides that the Commission, in making its determination, is to take into account, "all economic factors which it considers relevant, including (but not limited to) . . . the significant idling of productive facilities in the industry, the inability of a significant number of firms to operate at a reasonable level of profit, and significant unemployment or underemployment within the industry . . . ." We have also considered shipments and production as well as inventories and unshipped orders.

Underutilization of productive capacity

Capacity utilization in U.S. producers' facilities declined from 78 percent in 1975 to 71 percent in 1978, and fell under 60 percent in the first eight months of 1979. This indicator alone, however,

does not necessarily indicate injury, as the inability of capacity to track closely production has traditionally been characteristic of apparel industries. It should be noted, for example, that domestic producers continued to expand capacity in 1977 despite the fact that production declined by ten percent in that year and continued to decline thereafter.

Profitability

Net operating profits as a percentage of net sales dropped from 5.4 percent in 1975 to a low of 2.3 percent in 1977, before rising slightly to 2.9 percent in 1978. Data for the first half of 1979 show profits falling to a meager 0.3 percent of net sales. The number of firms reporting net operating losses, increased over the period, with over one-half of respondent firms reporting losses for the first six months of 1979. Net profits before taxes of domestic producers of leather wearing apparel compare unfavorably with those of producers of similar articles and show a declining trend over the period. Net profits before taxes for the industry of one percent in 1977 and two percent in 1978 are not sufficient to sustain reasonable reinvestment for firm modernization and growth, which would be necessary to compete with foreign producers enjoying significantly lower labor costs.

Significant unemployment or underemployment in the industry

Although employment of production and related workers of respondent firms increased slightly from 1975 to 1978, average hours worked per week by production and related workers remained stagnant, indicating some underemployment in the industry. Since April 1975, 3,107 workers from 46 leather wearing apparel producers have been certified as eligible for Trade Adjustment Assistance by the U.S. Department of Labor.

U.S. producers' shipments and production

In terms of quantity, U.S. producers' shipments of leather coats and jackets rose slightly from 1975 to 1976, but declined in 1977 and again in 1978. Overall, the quantity of shipments fell by 12.3 percent from 1975 to 1978 and has continued to decline in 1979. The value of U.S. producers' shipments have also declined from the high point in 1976. It is important to note that shipments of men's and boys' leather coats and jackets increased in value despite a decline in quantity. This increase was not enough to offset the marked decline in the value and quantity of shipments of women's and girls' leather coats and jackets.

Production in the leather wearing apparel industry declined from a high point of 1.8 million units reached in 1976 to a 1.5 million units in 1978.

Inventories and
unshipped orders

Inventory levels are not large relative to shipments in the leather apparel industry because of the high costs involved in carrying large inventories of leather garments. Nonetheless, inventories increased 28 percent in 1978 from 1977, and they rose again in the first eight months of 1979.

An [illegible] of market conditions which is a more relevant ec[illegible]dicator in the apparel industry than inventory levels, is producers' unshipped orders, which represent producers' orders for leather apparel taken but not shipped on a certain date. Producers' unshipped orders dropped 38 percent by quantity and 25 percent by value between August 31, 1978, and the same date in 1979, indicating a serious decline in demand for the industry's products.

The continuous decline in these important economic indicators and, in particular, the low level of profits for this industry have established the fact that producers of leather wearing apparel have been seriously injured.

Increased Imports as a Substantial Cause

Section 201(b)(4) of the Trade Act defines the term "substantial cause" to mean "a cause which is important and not less than any other cause." In making its determination, the Commission is to consider, among other factors, an increase in imports -- either actual or relative

to domestic production -- and a decline in the proportion of the domestic market supplied by domestic producers.

The quantity of imports of leather coats and jackets increased each year from 1975 to 1978, rising 146 percent over the four-year period. On a value basis, the increase of imports was comparable, rising 145 percent over the same period.

Such large increases have resulted in imports capturing ever larger shares of the domestic leather wearing apparel market. Imports' share of domestic consumption which, at 62 percent, was already quite large at the beginning of the four-year period, increased to 82 percent in 1978, and remained at that level in the first eight months of 1979. Except for 1976, when domestic shipments of leather coats and jackets increased modestly, domestic shipments have fallen absolutely, while imports have increased each year, both absolutely and relative to domestic shipments. Although total apparent consumption for leather coats and jackets increased by 85 percent from 1975-1978, the largest share of this increase was captured by imports.

In making its determination, the Commission considered other possible causes of serious injury, including a fashion shift away from leather to other types of apparel. However, as indicated above, domestic consumption of leather coats and jackets increased sharply from 1975 to 1978.

The Commission also considered the cost of raw materials as a cause of serious injury. Raw material costs are high in this industry, accounting for over 50 percent of costs of production, and play an obvious role in determining competitive conditions for leather wearing apparel on the world market. The fluctuation in U.S. imports from Latin America may demonstrate this link. In contrast to most other foreign suppliers, Latin American producers have access to indigenous hide supplies. Argentina, Uruguay and Brazil place export restrictions on their hides and skins in order to ensure a stable supply for their leather apparel and footwear industries and, thus, during certain periods, leather apparel producers in these countries have paid less for raw materials than U.S. producers. This cost advantage experienced by Latin American suppliers may help to explain why Argentina and Uruguay were among the three foreign suppliers which most significantly increased their share of the U.S. import market. However, two additional factors affecting imports from these countries must be noted: (1) tanned leather, the actual raw material used in leather wearing apparel, does not generally face export restrictions in these countries, and thus Latin American producers are to some extent exposed to the rigors of the international market; and (2) U.S. imports from Argentina and Uruguay are largely women's and girls' leather wearing apparel, for which demand has declined sharply in 1979.

In contrast, imports of men's and boys' leather coats and jackets, which currently constitute the bulk of U.S. imports, come largely from Far East suppliers, Korea and Taiwan being the largest. These countries must purchase hides and skins from the international market, 44 percent of which is supplied by the United States. Thus, the burden of high raw material costs is shared equally by U.S. producers and those foreign suppliers of leather apparel which appear to provide the greatest competition to U.S. producers.

While an improvement in the international and domestic conditions which influence hide prices would almost certainly leave room for somewhat higher profit levels, it must be assumed that foreign producers would enjoy the same advantages. It is reasonable to conclude, therefore, that the increasing and rapid loss of market share to imports is a substantial cause which is "important and not less than any other cause" of the injury to the industry.

Conclusion

In view of the above, we have determined that the domestic industry producing leather wearing apparel is being seriously injured within the meaning of Section 201 of the Trade Act of 1974, and we have, therefore, determined in the affirmative.

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Views of the Commission on Remedy

It is our view that relief in the form of increased rates of duty should be granted to the domestic industry which the Commission has found to be seriously injured or threatened with serious injury. Our finding with respect to the specific relief necessary to prevent or remedy such injury is set forth in the findings and recommendations appearing on page 3 of this report.

The recommended remedy is designed to apply the increased rates of duty to those articles of leather wearing apparel that compete most directly with domestically produced articles. Information gathered by the Commission shows that the majority of U.S. production consists of men's leather coats and jackets. Relative to demand for women's and girls' apparel, this segment of the market has experienced the more significant growth. Haute couture or high fashion apparel, which consists mostly of women's leather wearing apparel, does not compete directly with the vast majority of domestically produced leather wearing apparel. For these reasons, the Commission has recommended that articles valued at or above $150.00 f.o.b., primarily haute couture items, be excluded from the remedy action. The remedy thus applies to all but 1.6 percent of imports (1979 basis).

Tariff rates needed to equalize more nearly prices between imports and domestically produced articles were calculated on the basis of the differences between average unit values for men's leather coats and jackets. A mark-up percentage of thirty percent was added to the landed, duty-paid price of the imported product. A three-year period was determined to be adequate time for the industry to make adjustments based on the proposed plans discussed before the Commission during the course of this investigation.

INFORMATION OBTAINED IN THE INVESTIGATION

Summary

Investigation No. TA-201-40 was instituted by the Commission following receipt of a petition filed by the National Outerwear and Sportswear Association, Amalgamated Clothing and Textile Workers Union, International Ladies' Garment Workers Union, United Food and Commercial Workers Union, and Tanners' Council of America, Inc., on July 24, 1979. Accordingly, on August 3, 1979, the Commission instituted an investigation under section 201(b) of the Trade Act of 1974, to determine whether leather wearing apparel, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS), is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. A hearing on this matter was held on November 6 and 7, 1979, in New York, N.Y.

In 1979 approximately 100 firms in the United States produced the leather wearing apparel which is the subject of this investigation. Producers for the most part are concentrated in the New York City metropolitan area. The industry is diffuse, with the largest 10 firms accounting for about 50 percent of total production.

The value of U.S. imports of leather wearing apparel increased from $131 million in 1975 to $318 million in 1978. The value of imports of leather wearing apparel decreased slightly in January-August 1979 from its value in the corresponding period of 1978. The largest source of imports of leather wearing apparel was Korea, which accounted for 36 percent of the value of imports of these articles in 1978.

Data compiled from responses to questionnaires of the U. S. International Trade Commission show the quantity of shipments of leather coats and jackets declined by 14 percent from 1976 to 1978, and the value of shipments fell by 2 percent. Both the quantity and value of respondents' shipments declined in January-August 1979. The share of U.S. capacity utilized in the production of leather wearing apparel increased from 1975 to 1976, but then steadily decreased thereafter, falling under 60 percent for January-August 1979. Employment of production and related workers in the industry followed a similar pattern, increasing from 1975 to 1976, and then steadily declining, reaching a low point in January-August 1979. The ratio of inventories to U.S. producers' shipments decreased from 15 percent in 1975 to 12 percent in 1977, but then rose to more than 15 percent in 1978. This ratio increased again in January-August 1979, compared with that in the corresponding period in 1978. The quantity and value of producers' unshipped orders decreased significantly from 1978 to 1979.

Profit-and-loss data as provided by 35 producers of leather wearing apparel show net sales increased by 12 percent from 1975 to 1978, but net operating profit decreased 40 percent over the same period. The ratio of net operating profit to net sales decreased from 5.4 percent in 1975 to 2.9 percent in 1978.

U.S. consumption of leather wearing apparel increased from 6.5 million units in 1975 to 11.9 million units in 1978. The ratio of imports to apparent U.S. consumption jumped from 62 percent in 1975 to 71 percent in 1976, rose slightly from 1976 to 1977, and then increased again, to 82 percent, in 1978.

The prices of hides, skins, and tanned leather used in the production of leather wearing apparel have increased greatly in the past few years. Some Latin American producers, whose governments restrict the export of hides and skins, enjoy significantly lower raw materials cost than U.S. producers.

Introduction

On July 24, 1979, the U. S. International Trade Commission received a petition from the National Outerwear and Sportswear Association, Amalgamated Clothing and Textile Workers Union, International Ladies' Garment Workers Union, United Food and Commerical Workers Union, and Tanners' Council of America, Inc., for import relief under section 201(a)(1) of the Trade Act of 1974. Accordingly, on August 3, 1979, the Commission instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether wearing apparel not specifically provided for, of leather, provided for in item 791.76 of the Tariff Schedules of the United States (TSUS), is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Notice of the institution of the investigation and the public hearing to be held in connection therewith was given by posting copies of the notice at the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and at the Commission's office in New York City, and by publishing the notice in the Federal Register of August 9, 1979 (44 F.R. 46955). The public hearing was held on November 6 and 7, 1979, in New York, New York.

Other Recent U.S. International Trade Commission Investigations Concerning Leather Wearing Apparel

The instant case is the fourth investigation the Commission has conducted with respect to leather wearing apparel. On September 14, 1976, the President requested the Commission, pursuant to section 332(g) of the Tariff Act of 1930, to conduct an investigation and report on the current employment and production conditions in the domestic leather wearing apparel industry. This request resulted from an executive branch review of the operation of the Generalized System of Preferences (GSP) in which the Trade Policy Staff Committee (TPSC) needed additional information in order to make a decision on a petition from domestic producers to remove this product from the list of articles eligible for duty-free treatment under the GSP (TPSC-GSP case No. 76-2). The data obtained from the Commission's investigation (No. 332-79-(3)) were transmitted to the President on November 10, 1976. The TPSC recommended to the President that leather wearing apparel not be removed from the list of eligible articles.

On January 24, 1978, the Commission received advice from the Secretary of the Treasury that a bounty or grant was being paid by the Government of Uruguay on leather wearing apparel exported to the United States. Treasury made its investigation which led to this determination in response to a petition filed on behalf of the National Outerwear & Sportswear Association, a trade association representing some of the largest domestic producers of leather wearing apparel and a petitioner in the instant case. On April 24, 1978, the Commission unanimously determined (Commissioner Italo H. Ablondi not parti-

cipating) that an industry in the United States was being injured by reason of the importation of leather wearing apparel from Uruguay. 1/

On November 22, 1978, the Commission received advice from the Secretary of the Treasury that a bounty or grant was being paid by the Governments of Brazil and Colombia on certain leather wearing apparel exported to the United States. 2/

Treasury made its investigations which led to these determinations in response to a petition filed on behalf of the Amalgamated Clothing and Textile Workers Union, a petitioner in the instant case. On February 22, 1979, the Commission, by a 3 to 2 vote, determined that an industry in the United States was not being injured by reason of the importation of certain leather wearing apparel from Brazil and Colombia. 3/

Description and Uses

The term leather wearing apparel as used in this report includes a variety of articles classifiable under item 791.76 of the TSUS. It includes items of leather wearing apparel other than those items made from reptile leather or those items which contain 50 percent or more by weight of cotton, wool, or manmade fibers, or any combination thereof. These articles are specifically provided for elsewhere in the TSUS. Wearing apparel of sheep or lamb with the wool on the inside of the garment is considered to be leather wearing apparel for customs purposes, whereas when the wool is on the outside, it is classified as wearing apparel of fur. The great bulk of the apparel which is the subject of this investigation consists of leather coats and jackets for men and boys, and women and girls. Other articles include vests, pants, and shorts. 4/

Leather wearing apparel is made from a variety of leathers, of which cowhide, calf, sheep, and lamb are the most common. Raw hides are first tanned to impart suppleness, color, finish, or other qualities specific to their end use. Tanneries sell the processed hides to garment manufacturers, which employ cutters to hand-cut, shape, and style the leather. Trimmings (pockets, belts, zippers, buttons) are then added and linings of textile material are usually sewn into the garment, which is then finished, pressed, and prepared for shipment to retail clothing outlets. The entire process, from cutting the

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1/ See Leather Wearing Apparel from Uruguay: Determination of Injury in Investigation No. 303-TA-2 . . ., USITC Publication 883, April 1978.

2/ Certain leather wearing apparel, the subject of that investigation, include items of leather wearing apparel for men and boys, and types commonly worn by both sexes, but excluded those items intended for use by women and girls exclusively.

3/ See Certain Leather Wearing Apparel From Colombia and Brazil: Determination of No injury or Likelihood Thereof in Investigations Nos. 303-TA-6 and 303-TA-7 . . ., USITC Publication 948, February 1979.

4/ Leather wearing apparel does not include hats, belts, watch straps, gloves, or footwear in chief value of leather, or wearing apparel in chief value of fur. These articles are specifically provided for elsewhere in the TSUS.

hides through fashioning and sewing the garment, is accomplished by individual operators working with simple machines, usually on a piece rate basis. The industry is thus extremely labor intensive.

The articles of leather wearing apparel which are the subject of this investigation are classified for tariff purposes under item 791.76 of the TSUS. The column 1 (most-favored-nation) rate of duty applicable to merchandise entered under this item is 6 percent ad valorem. The column 2 rate (applicable to imports from certain Communist-dominated countries) is 35 percent ad valorem. These rates have been in effect since January 1, 1972. The implementation of the Geneva Protocol (1979) to the General Agreement on Tariffs and Trade does not affect the rates of duty on these items.

U.S. Tariff Treatment

Before March 1, 1977, these articles were provided for under TSUS item 791.75. Effective March 1, 1977, TSUS item 791.75 was deleted and new TSUS items 791.74 and 791.76 were established. TSUS item 791.74 covers leather wearing apparel in chief weight of cotton, wool, or manmade fibers, or any combination thereof. Such articles are subject to the quota provisions of the Multifiber Agreement (MFA), whereas leather wearing apparel articles entered under TSUS item 791.76 are not. The applicable tariff rates did not change when this further differentiation was made.

Title V of the Trade Act of 1974 authorized the President to extend duty-free treatment to eligible articles from designated beneficiary developing countries after consideration of (1) the effect such action will have on furthering the economic development of developing countries; (2) the extent to which other major developed countries are undertaking a comparable effort to assist developing countries by granting generalized preferences with respect to imports of products of such countries; and (3) the anticipated impact of such action on U.S. producers of like or directly competitive products. Duty-free treatment may not be applied to certain categories of import sensitive articles including textile and apparel articles which are considered import-sensitive in the context of GSP.

Leather wearing apparel was on the list of articles entitled to duty-free treatment under GSP from January 1, 1976, to March 1, 1979. Designated beneficiary countries which were suppliers of leather wearing apparel to the U.S. market were (in descending order of volume of imports by value in 1976): The Republic of Korea (Korea), Taiwan, Uruguay, Mexico, Hong Kong, and Argentina. Korea lost preferential treatment for these articles effective March 1, 1976, and Taiwan lost preferential treatment effective March 1, 1977, after their exports from these countries to the United States exceeded the value limitations set forth in section 504(c) of the Trade Act concerning eligibility for duty-free treatment under GSP.

Petitions filed by the domestic industry to the TPSC of Office of the Special Representative for Trade Negotiations (STR) to remove leather wearing apparel from the list of eligible items under GSP had been denied by the STR in 1976 and again in 1977. A third petition for removal, filed in July 1978,

was granted by the STR, and leather wearing apparel was removed from the list of eligible articles on March 1, 1979.

U.S. Producers

Approximately 100 firms in the United States produce the articles of leather wearing apparel which are the subject of this investigation. Geographically, producing facilities are scattered throughout the country, although there is a concentration of facilities in the Northeast United States, particularly in the New York City metropolitan area. Approximately 50 percent of all U.S. production of leather wearing apparel occurs in this area.

The domestic producers of leather wearing apparel range from large apparel manufacturing firms, employing several hundred people, to small firms employing less than 10 people. Although facilities used in the production of men's and boys' leather wearing apparel can be readily adapted to produce such apparel for women and girls, there is some rigidity in the labor market, as well as differences in the marketing of the two groups of items, which militate against such shifts. 1/ Consequently, producers usually concentrate on the production of either men's and boys' or women's apparel.

Rigidities associated with the machinery employed in the leather wearing apparel industry also make it difficult for leather wearing apparel producers to shift to the manufacture of cloth garments, or other leather goods, such as belts or handbags. The manufacture of leather wearing apparel requires more powerful sewing machines with stronger sewing needles than those machines used to manufacture cloth garments. Hence, cloth sewing machines cannot be used to manufacture leather apparel, and although most leather apparel machines can be used to manufacture cloth apparel, they are much slower in operation and therefore less efficient. Industry sources have advised the Commission, however, that sewing machines for leather garments can also sew heavy cloth garments, such as outerwear of corduroy or wool, with little loss of efficiency. The production of leather belts, handbags, or other personal items requires additional trimming, punching, and snap machines as well as different marketing and distribution channels.

Of the approximately 100 domestic producers 1/ the staff and industry sources estimate that the largest 10 firms account for about 50 percent of total production. The remainder of production is accounted for by the smaller

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1/ The women's segment of the leather wearing apparel industry is more fashion-oriented than the men's segment, which results in significant differences in production methods, firm size, and marketing. Firms which concentrate on producing women's leather apparel are typically smaller than the firms producing men's apparel. Many produce to order only, and consequently maintain little or no production facilities and permanent production workers themselves. These firms are referred to as jobbers. Upon securing orders for their garments, jobbers contract out the actual production to contractors. In such an arrangement, the jobber provides the leather and designs for the apparel manufacture, and markets the finished garments, whereas the contractor provides the labor and machinery.

firms, which exhibit great variety in types, styles, and quantity of goods produced from season to season.

U.S. Market and Channels of Distribution

Before the 1950's leather wearing apparel was confined to work-type or protective clothing, and leather garments were almost exclusively intended for masculine use. Because of technological advances in the tanning industry, which resulted in the greater use of cowhide and the ability to color and make supple tanned leather, production of both men's and women's leather wearing apparel increased substantially in the 1960's. This trend continued in the 1970's, as consumer preferences turned to the "natural" look in apparel. These developments along with refinement in styling resulted in a broadening of the market for leather wearing apparel.

Mail-order chains, mass merchandisers, and department stores have been joined by an increasing number of small specialty stores as the principal buyers and retailers of both domestic and imported leather wearing apparel. In recent years, some domestic producers ceased production in the United States and began importing leather wearing apparel to be sold under their labels. The desired styles and patterns are transmitted to foreign producers and the resulting garments are imported, some in the form of "shells" which are finished in the United States. Such finishing operations could include the sewing of button holes and buttons on the garment, and the sewing of manufacturers' labels into the garment.

It has been relatively simple for domestic producers to switch from producing to importing because they do not have significant amounts of fixed assets tied up in production facilities. The manufacture of leather wearing apparel is primarily a cutting and sewing operation performed by individual operators. On the other hand, these developments have adversely affected employment of production and related workers in this labor-intensive industry.

Retailers are also shifting buying habits. Rather than buying from domestic producers or importers, many major mail-order chains and department stores have begun to import leather wearing apparel directly. These large retailers send buyers directly to foreign producers, who specify styles and patterns for the leather garments to be produced and then shipped to their stores and warehouses in the United States.

1/ The approximation of the number of producers, should be emphasized. Because of the highly competitive nature of the industry, the relatively low startup costs and other barriers to entry, the extensive use of contractors, and the fluidity associated with an industry which must keep abreast of constantly changing consumer preferences in materials and styling, it is difficult to gage exactly the number of firms producing leather wearing apparel at any point in time, or the number of firms entering or leaving the industry from season to season.

The Question of Increased Imports

The estimated value of U.S. imports of leather wearing apparel 1/ increased 143 percent between 1975 and 1978, from $131 million in 1975 to $318 million in 1978. The value of imports declined by 10 percent in January-August 1979, compared with imports in the corresponding period of 1978 largely as a result of a sharp decrease in imports of women's coats and jackets. The estimated value of U.S. imports of leather wearing apparel are given in table 1.

Imports from Korea, the principal source of these articles, rose from $25.3 million in 1975 to $114.3 million in 1978, representing an increase of 352 percent. Such imports from Korea remained stable in January-August 1979, compared with imports in the corresponding period in 1978. The value of leather wearing apparel imports from Korea jumped from 19 percent of all imports in 1975 to 33 percent in 1976; such imports as a share of total imports remained stable at about 36 percent in 1977 and 1978. Taiwan was the second largest exporter of leather wearing apparel to the United States from 1975 to 1978, although the share of imports from that country to total imports declined from 17 percent in 1975 to 12 percent in 1978. Among the major exporters of these products, Korea, Argentina, and Uruguay significantly increased their shares of the U.S. market from 1975 to 1978, whereas the market shares of Taiwan, Spain, and Canada declined. These trends were reversed for January-August 1979. Imports of leather wearing apparel from Far East countries noticeably increased their market shares, while the shares of Uruguay, Argentina, and Brazil declined. Three factors contributed to the decline in exports from the Latin American producers. First, severe inflation

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1/ Import data prior to January 1, 1978, have been adjusted to exclude those articles of leather wearing apparel with a chief weight of textile fabric. The data were adjusted by combining import data for TSUS items 791.74 and 791.76 for July-December 1977, calculating the percentage of the combined total accounted for by the two items (TSUS item 791.74--15 percent; 791.76--85 percent), and applying those percentages to the imports entered under TSUS item 791.75 in previous years. Unless otherwise specified, all import data in this report have been adjusted in this manner.

Table 1.--Leather wearing apparel: U.S. imports for consumption, by principal sources, 1975-78, January-August 1978, and January-August 1979

Source	1975	1976	1977	1978	January-August	
					1978	1979
	Value (1,000 dollars)					
Korea	25,276	65,858	79,075	114,263	67,510	67,960
Taiwan	22,482	29,850	27,649	37,896	23,462	23,146
Argentina	2,903	9,689	18,307	43,825	25,249	14,881
Mexico	9,763	11,821	13,195	20,877	12,134	12,646
Hong Kong	11,344	11,675	12,562	14,678	8,262	10,414
Uruguay	8,461	17,778	24,241	34,226	21,590	9,423
Brazil	4,715	4,939	4,732	8,935	4,259	3,182
Spain	9,621	10,855	5,972	7,803	3,919	2,724
Canada	14,871	13,108	10,998	11,243	5,997	10,649
Colombia	585	547	733	1,539	693	1,143
All other	21,102	24,979	21,195	22,983	13,665	12,043
Total	131,123	201,099	218,659	318,268	186,740	168,211
	Percent of total value of all imports					
Korea	19.3	32.8	36.2	35.9	36.2	40.4
Taiwan	17.2	14.8	12.6	11.9	12.6	13.8
Argentina	2.2	4.8	8.4	13.8	13.5	8.9
Mexico	7.5	5.9	6.0	6.6	6.5	7.5
Hong Kong	8.7	5.8	5.8	4.6	4.4	6.2
Uruguay	6.5	8.8	11.1	10.8	11.6	5.6
Brazil	3.6	2.5	2.2	2.8	2.3	1.9
Spain	7.3	5.4	2.7	2.5	2.1	1.6
Canada	11.3	6.5	5.0	3.5	3.2	6.3
Colombia	0.5	0.3	0.3	0.5	0.4	0.7
All other	16.1	12.4	9.7	7.2	7.3	7.2
Total	1/ 100.0	100.0	100.0	100.0	100.0	100.0

1/ Because of rounding, figures may not add to the totals shown. Percents are calculated from the unrounded figures.

in the prices of skins and hides have affected Latin American producers more than producers in the Far East, as the former purchase their leathers in their own domestic markets on a spot basis, whereas the latter purchase leather 6 to 12 months ahead by forward contracts, primarily from U.S. suppliers. Second, recent countervailing duty investigations with respect to imports of leather wearing apparel from Argentina, Uruguay, Brazil, and Colombia, and an investigation by the STR concerning export restrictions on hides from Argentina, may have affected exports of leather wearing apparel from those countries. Finally, a marked slackening of demand for women's leather wearing apparel in

1979 has resulted in declines in U.S. producers' shipments and imports of these articles. Because Uruguay and Argentina are primarily exporters of women's leather wearing apparel, they have been especially hard hit by the downturn in the demand for these articles in the U.S. market. The estimated value of imports of leather wearing apparel, by type, is given in table 2.

The value of imports entering the United States under each TSUSA number grew substantially from 1975 to 1978, with women's and girls' leather coats and jackets accounting for 50 percent of total imports. The period January-August 1979, however, showed a 39 percent decline in the value of imports of women's and girls' leather coats and jackets from the amount in the corresponding period in 1978, whereas the value of imports of men's and boys' leather coats and jackets increased 38 percent. In the period January-August 1979, men's and boys' leather coats and jackets accounted for 56 percent of the total value of all imports of leather wearing apparel, whereas women's and girls' leather coats and jackets accounted for only 37 percent.

In the present case, official import statistics of leather wearing apparel compiled by the U.S. Department of Commerce are kept on a value basis only. A contention was made at the Commission's hearing that in the absence of quantitative data, the Commission could not make an affirmative finding (transcript of the hearing, p. 260 ff).

In order to derive quantity data on U.S. imports of leather wearing apparel, the staff examined approximately 3,500 commercial invoices of import entries of leather wearing apparel for the years 1975-79. These invoices accounted for approximately 6 percent of all entries of leather wearing apparel in each of the years examined. The unit value of imports of leather coats and jackets, by year, by country of origin, was derived from the sample analysis. By dividing these unit values into the value of imports of leather coats and jackets reported in the official statistics the following data on the quantity of imports was developed.

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Table 2.--Leather wearing apparel: U.S. imports of leather coats and jackets for men and boys (TSUSA item 791.7620), women and girls (TSUSA item 791.7640), and other items of leather wearing apparel (TSUSA item 791.7660), 1/ by principal sources, 1975-78, January-August 1978, and January-August 1979.

(In thousands of dollars)

Source	1975	1976	1977	1978	January-August 1978	January-August 1979
Men's and boys' leather coats and jackets						
Korea	11,450	29,834	35,821	51,768	25,516	45,328
Taiwan	10,724	14,238	13,189	18,070	9,887	15,504
Argentina	612	2,044	3,863	9,266	5,321	6,216
Mexico	4,247	5,142	5,740	9,088	5,582	4,871
Hong Kong	5,783	5,952	6,404	7,632	3,868	5,462
Uruguay	1,616	3,396	4,630	6,543	3,915	1,732
Brazil	2,636	2,949	2,825	5,337	2,493	2,474
Spain	6,694	7,434	4,091	5,336	2,770	1,992
Canada	5,993	5,283	4,432	4,531	2,951	2,695
Colombia	574	536	719	1,508	677	1,119
All other	8,025	9,466	7,903	10,007	5,749	7,365
Total	58,354	86,274	89,617	129,086	68,729	94,758
Women's and girls' leather coats and jackets						
Korea	12,259	31,941	38,351	55,417	37,176	19,748
Argentina	2,189	7,306	13,803	33,058	18,842	8,168
Uruguay	6,346	13,333	18,181	25,640	16,481	7,410
Taiwan	10,072	13,373	12,386	16,982	11,557	6,659
Mexico	4,305	5,213	5,819	9,708	5,306	5,538
Canada	7,852	6,922	5,807	5,942	2,570	5,914
Hong Kong	3,704	3,812	4,101	4,884	3,364	3,443
Brazil	1,563	1,748	1,675	3,166	1,467	573
Spain	2,834	3,148	1,732	2,263	1,012	678
All other	10,255	12,095	10,098	8,202	4,898	4,223
Total	61,379	98,891	111,953	164,762	102,673	62,354
Other leather wearing apparel						
Korea	1,567	4,083	4,903	7,078	4,818	2,884
Taiwan	1,686	2,239	2,074	2,844	2,018	983
Mexico	1,211	1,466	1,636	2,581	1,246	2,237
Hong Kong	1,857	1,911	2,057	2,162	1,030	1,509
Uruguay	499	1,049	1,430	2,043	1,194	281
Italy	1,069	1,242	1,244	1,591	966	1,088
Argentina	102	339	641	1,501	1,086	497
Israel	1,635	1,541	1,346	1,441	997	313
Brazil	216	242	232	432	299	135
Colombia	11	11	14	31	16	24
All other	1,537	1,811	1,512	2,716	1,668	1,148
Total	11,390	15,934	17,089	24,420	15,338	11,099

1/ Import data for 1975-77 were adjusted to separate imports of leather coats and jackets intended for masculine or feminine use, as well as other items of leather wearing apparel. It was estimated that the same share of the total imports, by country, entered under TSUSA item 791.7620 which were men's and boys' leather coats and jackets in 1978 were also men's and boys' leather coats and jackets in 1975-77. The same methodology was followed to separate women's and girls' leather coats and jackets (TSUSA item 791.7640) and other articles of leather wearing apparel (TSUSA item 791.7660) from total imports for 1975-77.

Table 3.--Leather coats and jackets: U.S. imports for consumption, 1975-78, January-August 1978, and January-August 1979

(In thousands of pieces)

Source	1975	1976	1977	1978	January-August	
					1978	1979
Korea	924	2,449	3,011	4,672	2,733	2,199
Argentina	102	329	583	1,370	782	422
Taiwan	804	1,059	850	1,258	770	578
Uruguay	264	507	702	995	712	227
Hong Kong	504	292	320	376	217	330
Brazil	152	141	121	229	107	61
Spain	158	176	90	81	40	26
Other	1,064	1,066	755	803	416	495
Total	3,972	6,019	6,432	9,784	5,777	4,338

Source: Derived from a 6 percent sample of commercial invoices of U.S. imports of leather wearing apparel, for each year 1975-79.

Data on quantity show imports increasing from 4.0 million units in 1975 to 9.8 million units in 1978, an increase of 146 percent. The quantity of imports decreased in January-August 1979, as compared to the same period in 1978, dropping from 5.8 million units to 4.3 million units, a decline of 25 percent.

Imports from Korea, the principal source of these articles, rose from 0.9 million units in 1975 to 4.7 million units in 1978, an increase of 406 percent, before falling off by 20 percent in January-August 1979 as compared to the same period in 1978. Imports of all major countries increased markedly from 1975 to 1978, with the exception of imports from Hong Kong, which fell by 25 percent, and Spain, which declined by 49 percent from 1975 to 1978. The imports of all major countries fell in January-August 1979, when compared to January-August 1978, except those imports from Hong Kong, which rose 52 percent.

The following tabulation compares the quantity of imports to U.S. producers' shipments of leather coats and jackets.

Year	Imports	U.S. producers' shipments	Ratio of imports to U.S. producers' shipments
	(1,000 units)	(1,000 units)	(Percent)
1975	3,972	2,523	157
1976	6,019	2,580	233
1977	6,432	2,299	280
1978	9,784	2,212	442
January-August--			
1978	5,777	1,403	412
1979	4,338	1,223	355

Quantitative data on U.S. imports and U.S. producers' shipments show imports increasing from 157 percent of U.S. producers' shipments in 1975 to 442 percent in 1978. The ratio of imports to U.S. producers' shipments dropped from 412 percent in January-August 1978 to 355 percent in January-August 1979, a decrease of 14 percent.

In 1978, 59 percent of all imports of leather wearing apparel entered the United States through New York City, and 75 percent of those imports entered by means of air transport. The large amount of imports entering the United States by air allows foreign producers to reduce delivery time to U.S. customers, and to adjust quickly to fashion trends.

The Question of Serious Injury to the Domestic Industry

The data presented in this section of the report are based on responses to Commission questionnaires from domestic producers, importers, and retailers of leather wearing apparel. The data relating to the question of injury are compiled directly from producers' questionnaires, unless otherwise noted, and as such are somewhat understated, since a number of small producers of leather wearing apparel did not respond to the Commission's questionnaires.

The Commission mailed questionnaires to all firms that were reported to have produced articles of leather wearing apparel from 1975 to 1979. These firms were chosen from a number of sources, including the mailing lists of the Commission's past investigations on these articles, trade association membership lists, labor union lists, buyer's guides, and Tanner's Council of America customer lists. Industry sources were also consulted as to the names and locations of domestic producers of leather wearing apparel.

Past investigations have revealed several problems related to data gathering in this industry: (1) the industry is composed of approximately 30

major producers, with sizable permanent work forces and facilities, and many small producers, which vary in number and in output of leather garments from season to season; (2) the industry frequently makes use of contractors, especially during peak production periods. The contractor-jobber relation is especially prevalent in the women's segment of the industry; and (3) the diffuse nature of the industry and the predominance of small, single proprietorship firms have resulted in disappointing questionnaire responses in past investigations.

Although the Commission's questionnaire was mailed to all known producers, followup actions were directed primarily toward the larger firms with permanent facilities which were known to produce sizable quantities of leather wearing apparel. Questionnaire responses, followup phone conversations, and interviews succeeded in the collection of useable data from almost all larger firms, in addition to a number of smaller producers.

In addition to data supplied to the U.S. International Trade Commission, the only other official primary data pertaining to the leather wearing apparel industry are the Census of Manufactures Industry Series, published by the Bureau of the Census, under Standard Industrial Classification (SIC) 2386, Leather and Sheep-Lined Clothing. This data series is published every 5 years, the most recent edition being for calendar year 1977. The articles covered by SIC 2386 and the articles which are the subject of the present Commission investigation are not strictly comparable, as the Census data includes some items of sheepskin outerwear which are classified under TSUS item 791.74 as articles of fur. Furthermore, the Bureau of the Census did not mail questionnaires to those firms employing less than 20 people; instead it estimated data for those firms from payroll and receipt records held by other governmental agencies. Nonetheless, Commission questionnaire responses account for 71 percent of the total value of industry shipments reported in the Census of Manufactures for 1977. Given the standard error of estimate of Census data, the Commission questionnaires could have accounted for as much as 92 percent of industry shipments in that year. Therefore, although the Commission data may be somewhat understated, it is indicative of the performance of the domestic industry producing leather wearing apparel in the period covered by the present investigation.

U.S. producers' shipments and exports

Responses to Commission questionnaires from 47 domestic producers of leather wearing apparel show that the quantity of shipments of leather coats and jackets for both sexes increased slightly from 1975 to 1976, and then decreased in both 1977 and 1978. Shipments in 1978 were 2.2 million units, which represents a 14 percent decline from the quantity of domestic shipments in 1976, the peak year for the industry. The value of shipments rose by 10.1 percent from 1975 to 1976, but then declined in 1977 before recovering slightly in 1978. The small increase in the value of domestic shipments for 1978 is attributable to higher unit values of the articles shipped as the quantity of shipments declined from 1977 to 1978. The value of shipments declined by 2.6 percent in January-August 1979 from its value in the corresponding period in 1978.

Data showing producers' domestic shipments of leather coats and jacket, by type, are given in table 4.

Table 4.--Leather coats and jackets: U.S. producers'shipments, 1975-78, January-August 1978, and January-August 1979 1/

Item	1975	1976	1977	1978	January-August	
					1978	1979
	Quantity (units)					
Men's and boys'------	1,803,348	1,938,617	1,748,437	1,771,392	1,125,056	1,035,109
Women's and girls'-----	719,239	641,054	550,415	440,954	278,349	187,951
Total----	2,522,587	2,579,671	2,298,852	2,212,346	1,403,405	1,223,060
	Value (1,000 dollars)					
Men's and boys'------	97,054	109,635	106,320	114,533	69,369	70,967
Women's and girls'-----	46,378	48,252	44,817	39,927	24,222	20,225
Total---	143,432	157,887	151,137	154,460	93,591	91,192
	Unit value					
Men's and boys'------	$53.82	$56.55	$60.81	$64.66	$61.66	$68.56
Women's and girls'-----	64.48	75.27	81.42	90.55	87.02	107.61
Total---	56.86	61.20	65.74	69.82	66.69	74.56

1/ January-August 1978 and January-August 1979 data compiled from 43 firms.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

The quantity of U.S. producers' shipments of men's and boys' leather coats and jackets increased 7.5 percent from 1975 to 1976, declined by 8.6 percent from 1976 to 1978, and then declined again, by 8.0 percent, in January-August 1979, compared with that quantity in the corresponding period in 1978. Higher unit values for men's and boys' leather coats and jackets, however, increased the value of domestic shipments from 1976 to 1978 by 4.5 percent. The value of domestic shipments increased slightly in January-August 1979 from its value in the corresponding period in 1978.

In contrast to men's and boys' leather coats and jackets, rising prices of women's and girls' leather coats and jackets were unable to prevent

declines in both the quantity and value of respondents' domestic shipments of these articles. The quantity of women's coats and jackets fell markedly over the period, from 719,000 units in 1975 to 441,000 units in 1978, representing a decrease of 38.7 percent. The quantity of shipments continued to decline sharply in January-August 1979, decreasing 32.5 percent from what it was in January-August 1978. The value of domestic shipments of women's and girls' leather wearing apparel decreased by 17.3 percent from 1976 to 1978, and again, by 16.5 percent in January-August 1979, compared with that in the corresponding period in 1978. The decline in domestic shipments for women's leather coats and jackets in the first 8 months of 1979, coupled with the 39 percent drop in value of imports of those items over the same period, are attributed to considerable resistance of consumers to the rapidly escalating prices of women's leather garments, and conservative buying practices of retailers in the face of a downturn in the U.S. economy.

Exports of leather wearing apparel have been small, accounting for less than 3 percent of U.S. producers' total shipments from 1975 to 1978. Export sales to Japan and West Germany accounted for approximately 34 percent of total U.S. exports in 1978. The value of U.S. exports of leather wearing apparel, compiled from official statistics of the U.S. Department of Commerce, are as follows:

	U.S. exports (1,000 dollars)
1975	2,247
1976	4,479
1977	2,820
1978	5,357
January-August--	
1978	3,100
1979	5,290

Capacity utilization

As part of its consideration of injury to the domestic industry, the Commission asked U.S. producers of leather wearing apparel to report their capacity to produce such items in their domestic facilities. Capacity was defined as the maximum sustainable production, at one 8-hour shift a day, 5 days a week, 50 weeks a year. Capacity in the leather wearing apparel industry is primarily determined by the available labor supply and the number and type of sewing machines in the producers' facilities. Responses to questionnaires from 23 large producers of leather wearing apparel which accounted for an estimated 71 percent of total U.S. production in 1978 show capacity steadily increasing from 1975 to 1977, and then dropping slightly in 1978. The domestic industry's rate of capacity utilization rose from 1975 to 1976, but then declined in 1977 and again in 1978. The sharp decline in production of leather wearing apparel in January-August 1979 resulted in the ratio of capacity utilization dropping to 58 percent of capacity from 63 percent in

January-August 1978. Data on production, capacity, and capacity utilization of 23 large producers of leather wearing apparel are given in table 5.

Table 5.--Leather wearing apparel: U.S. production, capacity, and capacity utilization, 1975-78, January-August 1978, and January-August 1979

Item	1975	1976	1977	1978	January-August	
					1978	1979
Production--units	1,601,535	1,806,362	1,629,558	1,512,750	904,305	832,082
Capacity-----do----	2,062,600	2,107,000	2,160,500	2,143,000	1,428,790	1,429,140
Capacity utilization----percent--	77.7	85.7	75.4	70.6	63.3	58.2

Source: Compiled from data submitted by 23 major U.S. producers in response to questionnaires of the U.S. International Trade Commission.

The year 1976 was clearly the peak production year for the industry, but producers continued to expand capacity to produce leather wearing apparel in 1977, even though production in that year declined by 10 percent from that in 1976. Production of these articles continued to decline in 1978 and January-August 1979, while capacity dropped slightly. The failure of capacity to closely track production trends is endemic to apparel industries, where demand for particular products from season to season is dependent on shifting fashion and fluctuating raw material costs.

The idling of machinery in a downturn in this industry does not represent as high a fixed cost for maintenance, or disruption of production runs, as it would in more technological, capital-intensive industries. Furthermore, the heavy-duty sewing machines used to sew leather garments can be adapted in most cases, and with some loss of efficiency, to sew other leather articles and/or cloth garments. This is the usual practice in smaller, "loft" operations producing limited quantities of leather garments on an order basis.

Trends in the production of leather wearing apparel are summarized in the tabulation below.

	1975-76	1976-77	1977-78	Jan.-Aug. 1978-79 1/
Firms reporting increases in production	16	6	7	7
Firms reporting decreases in production	4	14	15	12
Firms in which production remained the same	3	3	1	1

1/ Production data responses of 20 producers.

Employment

Data from 40 respondents showing the number of production and related workers, and man-hours worked in the leather wearing apparel industry are given in table 6.

Table 6.--Leather wearing apparel: Average number of production and related workers, and man-hours worked by them, 1975-78, January-June 1978, and January-June 1979

Source	1975 1/	1976	1977	1978	January-June-- 1/	
					1978	1979
Average number of production and related workers	3,164	3,584	3,518	3,388	3,038	2,578
Man-hours worked by production and related workers (1,000 hours)	5,321	6,112	5,859	5,705	3,041	2,677
Average weekly hours per worker	33.6	34.1	33.3	33.7	40.0	41.5

1/ Data for 1975, January-June 1978, and January-June 1979 represent the responses of 37 producers.

Source: Compiled from data submitted by 40 producers in response to questionnaires of the U.S. International Trade Commission.

Although data for 1975 is not strictly comparable to data for 1976-78, as it represents employment figures for only 37 respondents, employment of production and related workers in the leather wearing apparel industry almost certainly rose from 1975 to 1976; it then remained stable in 1977 and declined slightly in 1978. Employment of production and related workers declined 15 percent in January-August 1979, compared with employment in the corresponding period in 1978. The average hours worked per week by production and related workers in the leather wearing apparel industry remained stable from 1975 to 1978 at a little over 33 hours per week, suggesting some underemployment in the industry.

Union representatives at the Commission hearing characterized the bulk of the labor force producing leather wearing apparel as unskilled, and having a lower level of education and income than most manufacturing workers in the United States. Employees of 60 leather wearing apparel producers have applied to the U.S. Department of Labor for trade adjustment assistance since April 1975. Of the 56 petitions on which decisions had been reached as of November

1979, 46 petitions involving 3,107 workers were certified as eligible for trade adjustment assistance and 10 petitions involving 392 workers were denied.

Inventories and unshipped orders

Responses to Commission questionnaires from 19 major producers of leather wearing apparel which maintained inventories over the period show the quantity of leather coats and jackets held in inventory decreased by 28 percent from 1975 to 1977, but then rose sharply in 1978 to 169,000 units, representing an increase of 28 percent over inventories reported in 1977. Inventory data from 14 major producers showed inventories increasing by 9.4 percent in January-June 1979, compared with inventories in the corresponding period in 1978. Data on inventories, and the ratio of respondents' inventories to respondents' shipments, are given in table 7.

Table 7.--Leather coats and jackets: U.S. producers' end-of-period inventories as of Dec. 31 of 1975-78, June 30, 1978, and June 30, 1979

Period	Respondents' inventories	Respondents' shipments	Ratio of inventories to shipments
	Units	Units	Percent
December 31--			
1975	183,782	1,235,900	14.9
1976	150,838	1,251,494	12.1
1977	132,044	1,091,594	12.1
1978	169,025	1,121,572	15.1
June 30--			
1978 1/	266,426	657,392	40.5
1979 1/	291,533	631,338	46.2

1/ Data for January-June 1978 and January-June 1979 represent the responses of 14 producers.

Source: Compiled from data submitted by 19 producers in response to questionnaires of the United States International Trade Commission, except as noted.

The ratio of respondents' inventories to shipments generally tracked the fluctuation of inventories throughout the period, declining from 1975 to 1977, and rising in 1978.

The ratio of inventories to shipments for January-June 1978 and January-June 1979 are not unusually large, given the seasonality of the leather wearing apparel industry. However, data show an increase in the ratio in January-June 1979, when compared with the corresponding period in 1978, and are an indication of a slowing demand for articles of leather wearing apparel at the retail level. In view of the inflation of raw material and finished goods

prices in the leather wearing apparel industry in the past several years, increasing inventories, if not adversely affected by the style changes, could have a positive effect on earnings of individual producers in the succeeding period.

The Commission also requested data pertaining to domestic producers' unshipped orders for leather wearing apparel as of August 31, 1978, and August 31, 1979. These data measure firm orders received but not shipped on this date. An increase in unshipped orders from season to season indicates increasing demand for leather apparel products; a decrease in this measure indicates decreasing demand. Data on unshipped orders of 29 producers on specific dates, are given in table 8.

Table 8.--Leather coats and jackets: U.S. producers' unshipped orders, by type, August 31, 1978, and August 31, 1979

(Quantity in units; value in thousands of dollars)

Item	Aug. 31, 1978	Aug. 31, 1979	Percentage decrease Aug. 31, 1979 over Aug. 31, 1979
	Quantity		
Men's and boys' coats and jackets	268,663	163,222	-39.3
Women's and girls' coats and jackets	24,810	18,250	-26.4
Total	293,473	181,472	-38.2
	Value		
Men's and boys' coats and jackets	15,225	11,449	-24.8
Women's and girls' coats and jackets	1,413	981	-30.6
Total	16,638	12,430	-25.3

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Preliminary data show a decrease in producers' unshipped orders from 293,500 units as of August 31, 1978 to 181,500 units on the same date in 1979, representing a decrease of 38 percent; in terms of value, however, the decrease is 25 percent, resulting in a lower but still a substantial decline.

Table 9.--Profit-and-loss experiences of U.S. producers on their leather wearing apparel manufacturing operations; accounting years 1975-78, January-June 1978, and January-June 1979.

Item	1975 1/	1976 1/	1977 1/	1978 1/	January-June	
					1978 2/	1979 2/
Net sales--1,000 dollars--	120,612	128,126	123,554	135,402	53,675	56,103
Cost of goods sold--do----	94,385	103,130	101,283	110,082	43,203	53,490
Gross profit--------do----	26,227	24,996	22,271	25,320	10,472	12,613
General, selling, and administrative expense 1,000 dollars--	19,749	18,817	19,455	21,430	9,615	12,418
Net operating profit----------do----	6,478	6,179	2,816	3,890	857	195
Ratio of net operating profit (loss) to net sales----------percent--	5.4	4.8	2.3	2.9	1.6	0.3
Number of firms reporting net operating losses----	5	4	8	11	8	13
Range of individual firms' sales:						
High-----1,000 dollars--	***	***	***	***	***	***
Low---------------do----	***	***	***	***	***	***
Range of individual firms' net operating profit or (loss):						
High-----1,000 dollars--	***	***	***	***	***	***
Low---------------do----	***	***	***	***	***	***

1/ Represents responses of 35 firms.
2/ Represents responses of 24 firms.

Source: Compiled from data submitted by 35 U.S. producers in response to questionnaires of U. S. International Trade Commission.

Profit-and-loss experience

Profit-and-loss data for 35 firms which produce leather wearing apparel are given in table 9.

Net sales of leather wearing apparel rose from 1975 to 1976, decreased somewhat in 1977, and then rose again in 1978. Overall, net sales for the industry increased from $120.6 million in 1975 to $135.4 million in 1978, representing an increase of 12.3 percent. 1/ Other indices of financial performance, however, exhibited steady declines from 1975 to 1977, with slight recoveries in 1978. The ratio of net operating profit to net sales, for example, decreased from 5.4 percent in 1975 to 2.3 percent in 1977, and improved only marginally, to 2.9 percent in 1978. The number of firms reporting net operating losses increased from 5 in 1975 to 11 in 1978.

As a share of net sales, cost of goods sold, the major component of which is the cost of leather, rose slightly over the period, while overhead costs fell slightly; as shown in the following tabulation:

Item	1975	1976	1977	1978
Ratio of cost of goods sold to net sales (percent)	78.3	80.5	82.0	81.3
Ratio of general, selling, and administrative expenses to net sales (percent)	16.4	14.7	15.8	15.8

1/ Data for 1977 and 1978 are affected by the inclusion of ***., which acquired a small leather wearing apparel producer in *** and expanded its operations. This firm was unable to provide profit-and-loss data on the operation of the firm under its former ownership; the net sales reported by the firm, ***, represented only those sales made under the company's present ownership. ***.

Profit-and-loss data for January-June 1978 and January-June 1979 are not comparable with that reported for prior periods because only 24 firms provided data for that period, compared with 35 firms for 1975-78, and because the leather wearing apparel industry is characterized by a strong seasonal factor. Approximately 50 percent of annual sales are made from September to December in any given year.

A comparison of respondents' data for January-June 1978 and January-June 1979 show net sales increased from $53.7 million to $66.1 million, or by 23 percent. However, costs of manufacturing leather wearing apparel more than kept pace with the increase in net sales. The cost of goods sold rose 24 percent, and general, selling, and administrative costs rose 29 percent from January-June 1978 to January-June 1979. The increases in general, selling, and administrative costs were attributed by some firms to increased marketing costs. Net operating profit for January-June 1979 fell by 77 percent from that reported in January-June 1978. The ratio of net operating profit to net sales decreased from 1.6 percent to 0.3 percent in the same period. Of the 24 respondents, 13 reported net operating losses for January-June 1979, as compared with 8 in January-June 1978.

Comparative profitability

As part of its investigation into the question of injury, the Commission is to consider whether a significant number of firms in the industry are unable to operate at a reasonable level of profit. Table 10 compares selected financial data reported by domestic producers of leather wearing apparel with those of similar industries in the apparel sector of the U.S. economy.

A comparison of profit ratios shows domestic producers of leather wearing apparel to be somewhat worse off than manufacturers in other apparel industries. Leather wearing apparel producers incurred higher raw material costs relative to net sales than did fur and textile outerwear producers, but realized some savings in other expenses, to be able to maintain stable profits at a low level throughout the period 1975-78. Nonetheless, gross profit figures of leather wearing apparel producers are significantly lower than other apparel manufacturers. Both gross and net profit before tax figures for leather wearing apparel producers show downward trends from 1975 to 1977, with only a slight recovery in 1978.

These financial data are corrobated by comparisons of inventory turnover and sales/assets ratios, which show leather wearing apparel producers lagging behind similar industries in the apparel sector of the U.S. economy.

The Question of the Causal Relationship Between Imports and the Alleged Serious Injury

Market penetration of imports

The quantity of imports of leather coats and jackets as a share of apparent U.S. consumption rose from 62 percent in 1975 to 82 percent of consumption in 1978. Data for January-August 1979 show imports decreasing slightly, to 79.0 percent of consumption, compared with 81.0 percent for

Table 10.--Leather wearing apparel: Profit components, on a percent of net sales basis, of manufacturers of fur garments, certain men's outerwear garments, certain women's outerwear garments, and U.S. producers of leather wearing apparel, 1975-78

Item	1975	1976	1977	1978
	Fur garments			
Net sales	100	100	100	100
Cost of goods sold	77	79	66	75
Gross profit	23	21	34	25
All other expenses	21	17	30	21
Net profit before taxes	2	4	4	4
	Certain men's outerwear garments			
Net sales	100	100	100	100
Cost of goods sold	78	79	77	76
Gross profit	22	21	23	24
All other expenses	17	16	20	21
Net profit before taxes	5	5	3	3
	Certain women's outerwear garments			
Net sales	100	100	100	100
Cost of goods sold	72	76	73	74
Gross profit	28	24	27	26
All other expenses	20	19	20	23
Net profit before taxes	8	5	7	3
	Leather wearing apparel			
Net sales	100	100	100	100
Cost of goods sold	78	81	82	81
Gross profit	22	19	18	19
All other expenses	19	16	17	17
Net profit before taxes	3	3	1	2

Source: Robert Morris Associates, Annual Statement Studies, 1975-78, and responses to questionnaires of the U.S. International Trade Commission.

January-August 1978. Data on apparent U.S. consumption of leather coats and jackets and the share of imports to consumption are presented in table 11.

Table 11.--Leather coats and jackets: U.S. producers' shipments, estimated exports 1/, estimated imports 2/, and apparent consumption, 1975-78, January-August 1978, and January-August 1979

Period	U.S. producers' shipments	Estimated exports	Estimated imports	Apparent U.S. consumption	Ratio of imports to apparent consumption
	1,000 units				Percent
1975	2,523	40	3,972	6,455	61.5
1976	2,580	73	6,019	8,526	70.6
1977	2,299	43	6,432	8,688	74.0
1978	2,212	77	9,784	11,919	82.1
January-August:					
1978	1,403	46	5,777	7,134	81.0
1979	1,223	71	4,338	5,490	79.0

1/ Data on exports were estimated by dividing the value of exports for each period reported by the U.S. Department of Commerce by unit values of U.S. producers' shipments derived from questionnaires submitted to the United States International Trade Commission.

2/ Data on quantity of imports derived from a 6 percent sample of commercial invoices of U.S. imports of leather wearing apparel, for each year 1975-78, January-August 1978, and January-August 1979.

Source: Compiled from data submitted by U.S. producers in response to questionnaires of the United States International Trade Commission, except as noted.

Average unit values and their relationship to purchases

Because of problems with sparse price data in past leather wearing apparel investigations, several approaches were tried this time to improve the price picture. Among them were the tabulation of the "1-percent sample" 1/ of all customs documents, a canvas of about 12 percent of customs documents of imports entering through New York, 2/ a canvas of retailers in the New York City area, and questionnaires to domestic producers, importers, and importer-retailers. These steps were taken so that import quantities could be accurately estimated and so that import prices and price trends could be examined for evidence of price suppression or depression, or for use in devising a remedy in the event of an affirmative determination by the Commission.

Based on the data obtained in the investigation, the following statements can be made with some certainty:

(1) Imports of leather wearing apparel increased in quantity and value from 1976 through 1978, and then imports of women's leather coats and jackets fell in 1979; the decline in imports of women's coats and jackets was large enough to cause the total imports of men's and women's coats and jackets to fall in 1979. This decline in imports of women's coats and jackets may have been due to changing tastes, since domestic sales of women's coats and jackets also fell. However, it was noted that both domestic and imported women's coats and jackets increased sharply in price in 1979, perhaps owing to increased leather costs.

(2) The average unit values of imports are significantly lower than those of domestic producer's shipments even after the import values are adjusted with c.i.f. charges, duty and importer markup. Imports from the Far East undersell the domestic products by larger margins than imports from Europe or Latin America.

(3) Prices are very important in purchasing decisions. Nearly all domestic producers which imported leather-wearing apparel, and all but one importer-retailer, advised that the lower price of the foreign apparel was a very important consideration, if not the most important consideration, in their decision to purchase imports.

1/ The "1-percent sample" is a 1-percent sample of all customs entries; it may not correspond to a 1-percent sample of the subject TSUSA items. Approximately 80 documents were tabulated for each of the years, 1977-79.

2/ The New York sample consisted of all import entries through the Port of New York (including John F. Kennedy Airport) for the month of August for the years 1975 thorough 1979. Over 3500 documents were tabulated. Nearly 60 percent of imports of the subject items enter through New York City. The month of August was determined to be typical.

Support for the above conclusions will be provided in the following sections, along with a discussion of the methodology and the data.

Average unit value of imports.--Official import statistics provide data on the value of imports of leather wearing apparel, but not on the quantity of imports. To obtain quantity estimates and average unit values, the 1-percent sample and the 6 percent New York sample were tabulated to supplement data from the questionnaires. Table 12 shows reported total value (f.o.b.), estimated quantity, and average unit value (f.o.b.) for imports in 1975-79. The landed duty-paid average unit value is only about 10 percent above the f.o.b. foreign port average unit value according to official statistics of the U.S. Department of Commerce. 1/

Since the 1-percent sample was deliberately designed to be a systematic sample that for the most part can be treated as a simple random sample, theoretically it could be used to obtain fine details on total imports through statistical inference. However, two factors limit its use for this purpose: (1) the extreme variation in styles, materials, and prices of leather wearing apparel, and (2) the limited number, and hence perhaps the unrepresentative nature, of the documents when fine breakdowns are attempted to get quantities by country or to distinguish between types of materials or products. This latter problem was solved in large part by the New York sample. While the 1-percent sample had approximately 80 documents for each year 1977 through 1979, the New York sample had over 750 documents in each of the years 1975 through 1979.

Although the 1-percent did not meet all the desired goals, it was excellent for capturing the diversity of imports, estimating total quantity of imports, showing that a large proportion came by air through New York City, and proving the responses to the importer questionnaires unrepresentative (much higher priced than imports as a whole). Discussion here is limited to instances where it seems most likely that the samples are representative of the underlying population of imports as a whole.

The 1-percent sample for 1978 provided data on 78 shipments covering 63,665 pieces of leather wearing apparel. The average unit value (f.o.b.) of each shipment was tabulated largely in $10 increments by TSUSA number as shown in figures 1 through 4. Thus, figure 1 shows 3,189 men's leather coats and jackets were imported in 1978 at unit values between zero and $20.00; 3,472 men's coats and jackets between $20.01 and $30.00; and 415 men's coats and jackets above $100.01. This illustrates the wide variation in price owing to style, workmanship, material, and quality. The most popular price range for men's coats and jackets was $50.01 to $60.00 (f.o.b.). More than 250,000 dollar's worth of goods (4,766 pieces) were in the sample in this range in 1978. Similar information for 1979 is shown in figure 2, and for women's coats and jackets in figures 3 and 4.

1/ FT 135, U.S. Department of Commerce, Bureau of the Census.

Table 12.--Leather coats and jackets: U.S. imports for consumption, 1977-79

Item and year	Total value (f.o.b.) foreign port 1/	Estimated quantity 2/		Average unit value (f.o.b.), foreign port 3/	
		1-percent sample	New York sample	1-percent sample	New York sample
	Million dollars	Million pieces	Million pieces		
Men's coats and jackets:					
1975 4/	58.4	-	1.7	-	$33.50
1976 4/	86.3	-	2.6	-	33.00
1977 4/	89.6	-	2.8	-	31.50
1978	129.1	3.0	4.2	$42.71	30.50
1979	137.9	3.6	3.8	37.98	37.00
Women's coats and jackets:					
1975 4/	61.4	-	2.5	-	25.00
1976 4/	98.9	-	4.0	-	25.00
1977 4/	112.0	-	3.9	-	29.00
1978	164.8	5.7	6.1	28.82	27.00
1979	100.1	2.8	2.8	36.18	35.50
Total coats and jackets:					
1975 4/	119.8	-	4.2	-	29.63
1976 4/	185.2	-	6.6	-	30.30
1977 4/	201.6	-	6.7	-	31.10
1978	293.9	8.7	10.3	33.78	28.63
1979	238.0	6.4	6.6	37.18	36.31

1/ IM 146 customs value, U.S. Department of Commerce. Total values for the year 1979 extrapolated from January-August 1978 and January-August 1979 data in IM 146.

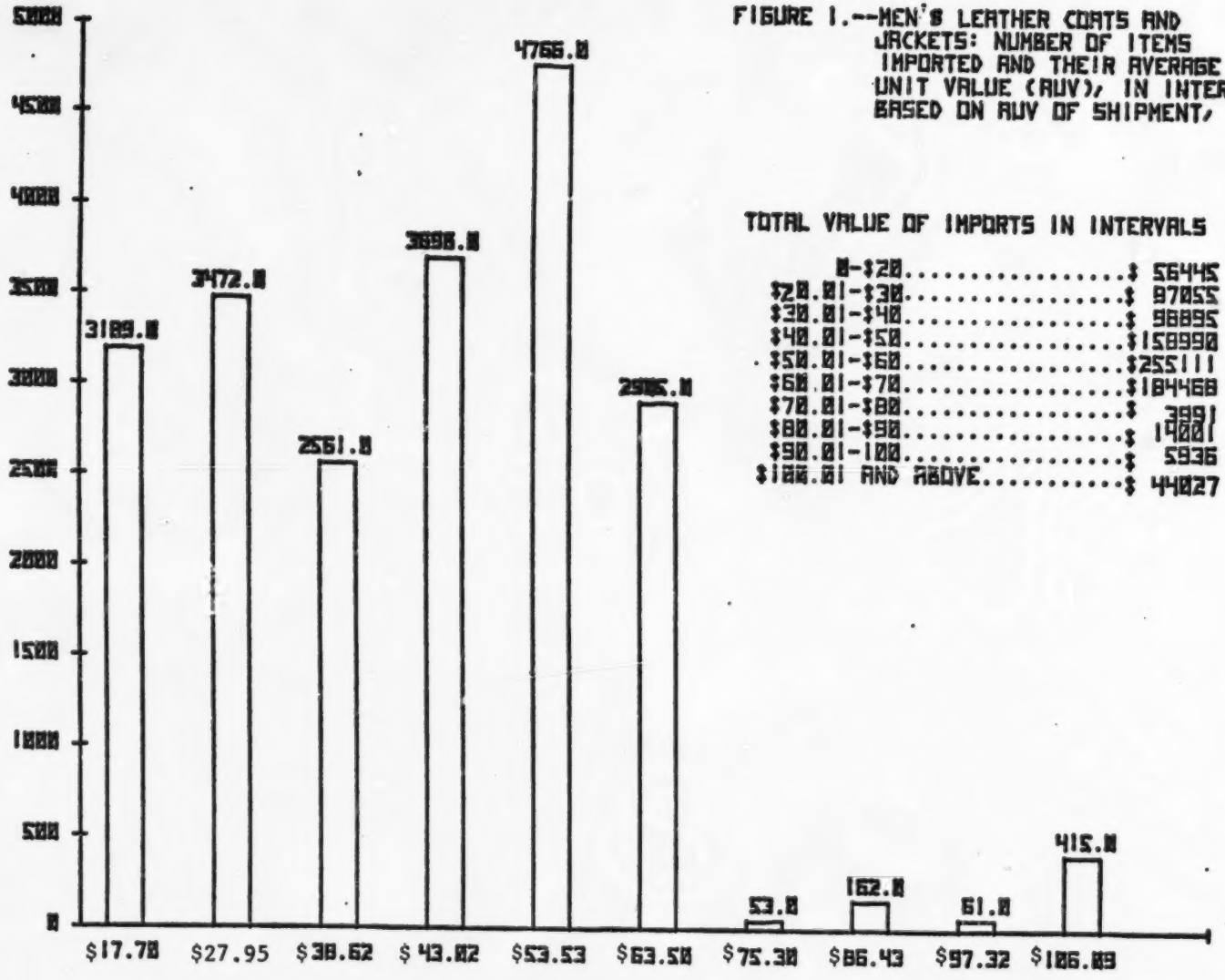
2/ Estimated from samples. Col. 1 divided by col. 4 or 5. The quantity estimates in this table were based on totals and may differ from other tables based on individual country estimates.

3/ Average unit values found in the samples. The average unit values for 1975 through 1978 were for the full years; 1979 reflects documents received through September 1979.

4/ Import total value data prior to Jan. 1, 1978, have been adjusted to exclude those articles of leather wearing apparel with a chief weight of textile fabric. See footnote to table 1. The sample documents were carefully analyzed to determine if the shipments were the subject products, in case of doubt, the entries were left out of the tabulations.

Source: 1-percent sample, New York sample, and U.S. Department of Commerce publication IM 146.

FIGURE 1.--MEN'S LEATHER COATS AND JACKETS: NUMBER OF ITEMS IMPORTED AND THEIR AVERAGE UNIT VALUE (AUV), IN INTERVALS BASED ON AUV OF SHIPMENT, 1978.



TOTAL VALUE OF IMPORTS IN INTERVALS

0-$20	$ 56445
$20.01-$30	$ 97055
$30.01-$40	$ 98895
$40.01-$50	$158990
$50.01-$60	$255111
$60.01-$70	$184468
$70.01-$80	$ 3891
$80.01-$90	$ 14001
$90.01-100	$ 5936
$100.01 AND ABOVE	$ 44027

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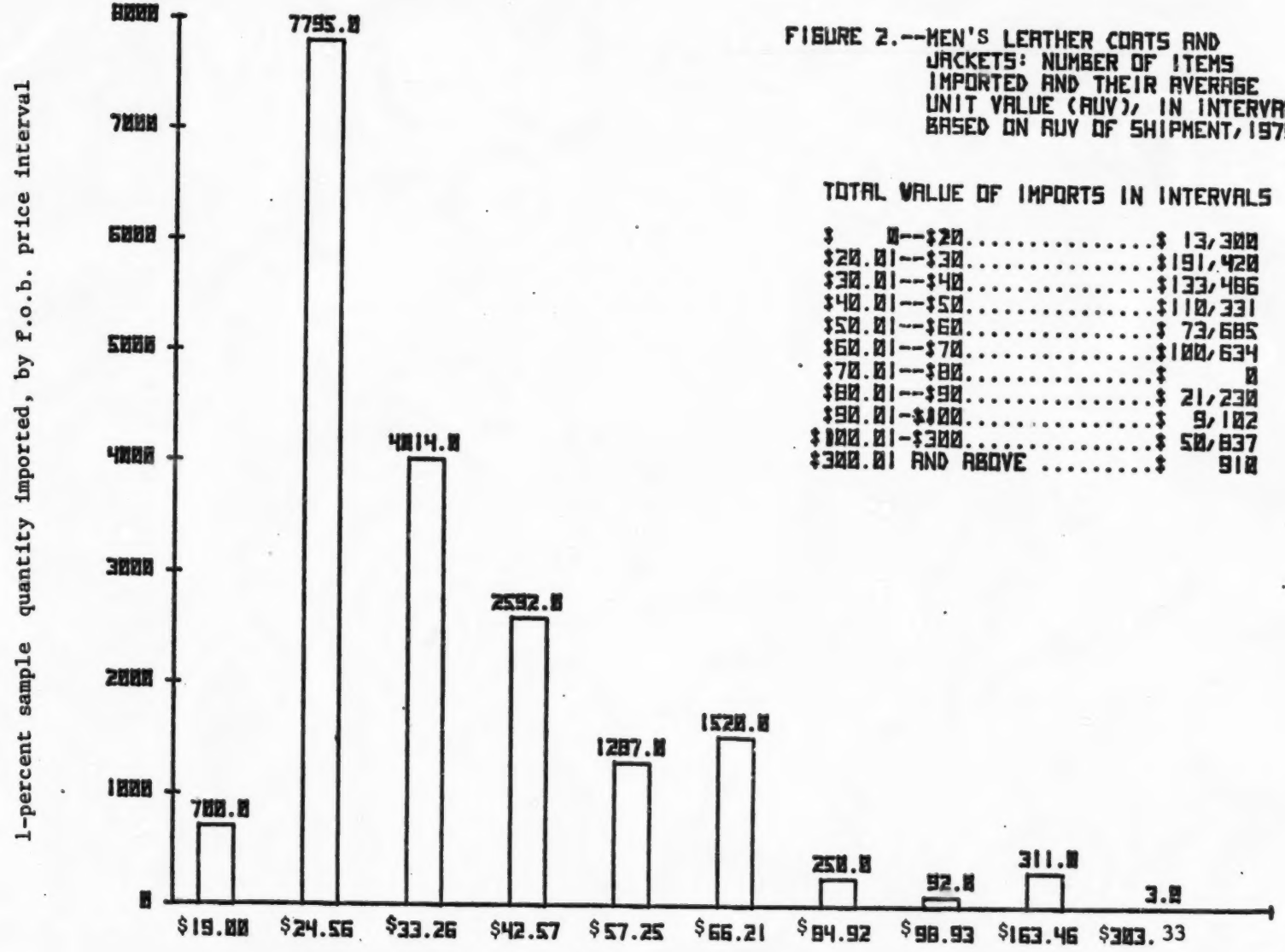

FIGURE 2.--MEN'S LEATHER COATS AND JACKETS: NUMBER OF ITEMS IMPORTED AND THEIR AVERAGE UNIT VALUE (AUV), IN INTERVALS BASED ON AUV OF SHIPMENT, 1979.

TOTAL VALUE OF IMPORTS IN INTERVALS

$ 0--$20	$ 13,300
$20.01--$30	$191,420
$30.01--$40	$133,486
$40.01--$50	$110,331
$50.01--$60	$ 73,685
$60.01--$70	$100,634
$70.01--$80	$ 0
$80.01--$90	$ 21,230
$90.01-$100	$ 9,102
$100.01-$300	$ 50,837
$300.01 AND ABOVE	$ 910

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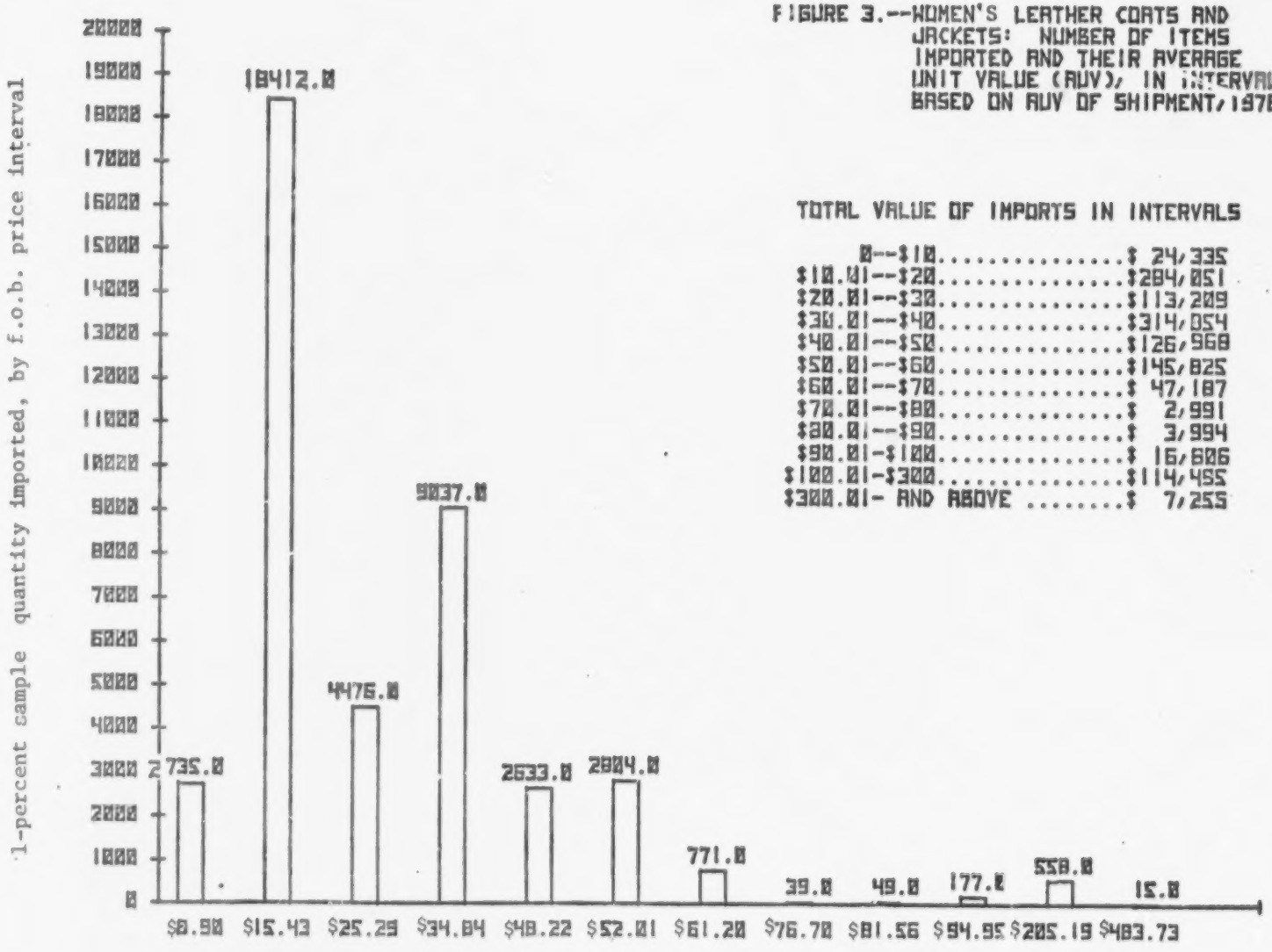
FIGURE 3.--WOMEN'S LEATHER COATS AND JACKETS: NUMBER OF ITEMS IMPORTED AND THEIR AVERAGE UNIT VALUE (AUV), IN INTERVALS BASED ON AUV OF SHIPMENT, 1978.



TOTAL VALUE OF IMPORTS IN INTERVALS

0--$10	$ 24,335
$10.01--$20	$284,051
$20.01--$30	$113,209
$30.01--$40	$314,054
$40.01--$50	$126,968
$50.01--$60	$145,825
$60.01--$70	$ 47,187
$70.01--$80	$ 2,991
$80.01--$90	$ 3,994
$90.01-$100	$ 16,606
$100.01-$300	$114,455
$300.01- AND ABOVE	$ 7,255

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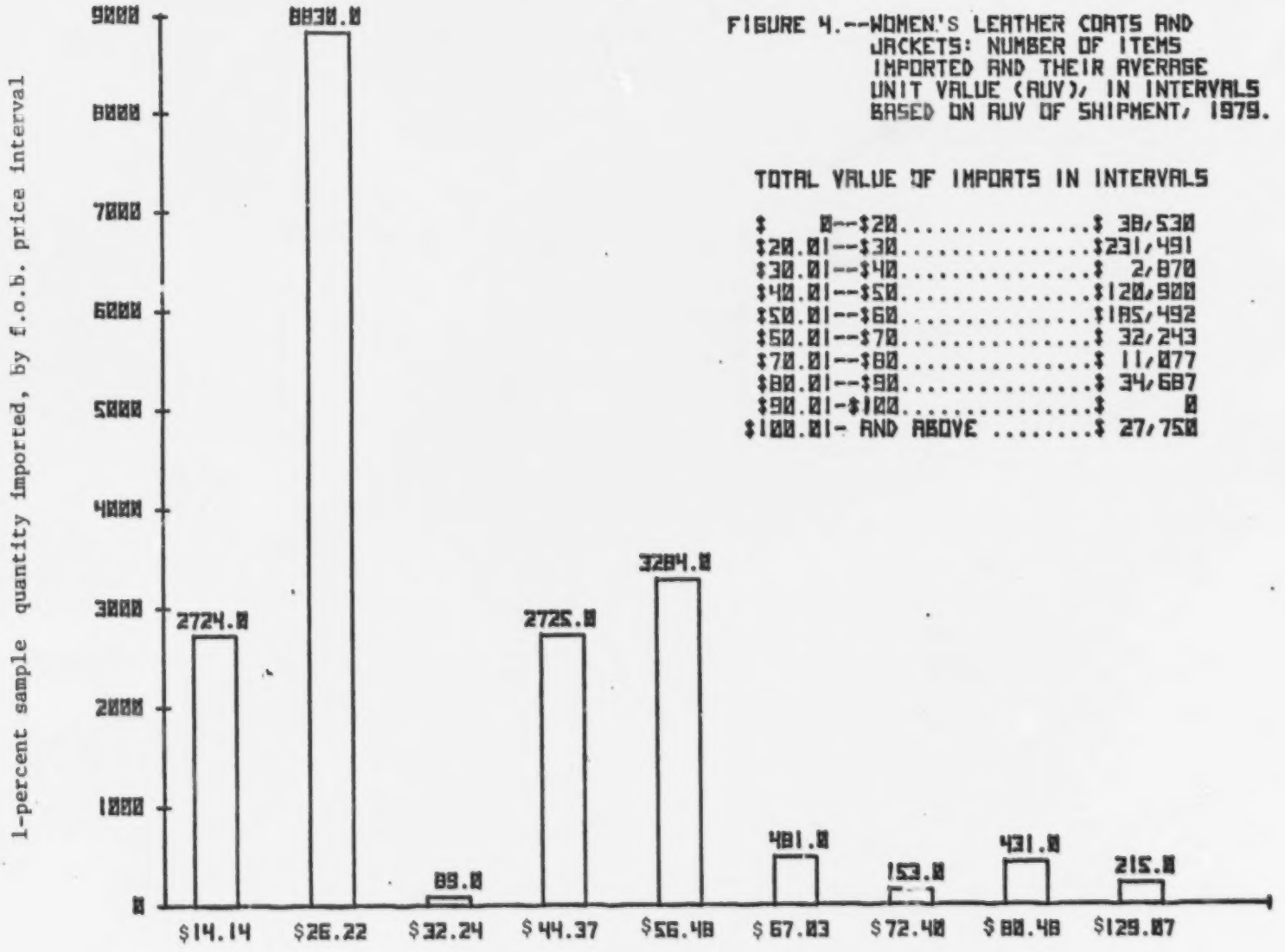

FIGURE 4.--WOMEN'S LEATHER COATS AND JACKETS: NUMBER OF ITEMS IMPORTED AND THEIR AVERAGE UNIT VALUE (AUV), IN INTERVALS BASED ON AUV OF SHIPMENT, 1979.

TOTAL VALUE OF IMPORTS IN INTERVALS

$ 0--$20	$ 38,530
$20.01--$30	$231,491
$30.01--$40	$ 2,870
$40.01--$50	$120,900
$50.01--$60	$185,492
$60.01--$70	$ 32,243
$70.01--$80	$ 11,077
$80.01--$90	$ 34,687
$90.01-$100	$ 0
$100.01- AND ABOVE	$ 27,750

A similar analysis was conducted for 1979 utilizing the 6 percent sample. As shown in table 13, men's leather coats and jackets with an average unit value (f.o.b.) of $30.00 or less accounted for about 40 percent of the quantity, but only 21 percent of the value, of imports in 1979. Similarly, men's leather coats and jackets with an average unit value (f.o.b.) of above $60.00 accounted for 11 percent of the quantity, and 25 percent of the value, of such imports. The bulk of these goods, in terms of quantity and value, were purchased overseas at an f.o.b. price of between $30.00 and $60.00. Women's leather coats and jackets, by contrast, were concentrated in the $20.00 to $40.00 range, f.o.b.

One conclusion from both samples is that while the products are characterized by large differences in style, material, and quality, purchasing decisions are definitely influenced by price--fewer of the higher priced items are purchased. For both men's and women's apparel, jackets have a lower average unit value than coats, and more jackets are imported (table 13). Men's leather jackets have a lower average unit value than men's suede jackets, and more leather jackets are imported. Women's leather coats are cheaper than women's suede coats and more leather coats are imported. Although country data are varied, regional total average unit values for both men's and women's leather wearing apparel imported from the Far East are lowest, those from Latin America and Canada are the next lowest, and those from Europe are the highest; both the quantity and value of imports of leather wearing apparel are highest from Asia and lowest from Europe, (table 13). Finally, comparing the sample data with the estimated annual total value of imports for 1978 and 1979 (based on totals through August of both years as reported in the IM 146) shows that the average unit value of women's leather wearing apparel and total men's and women's leather wearing apparel have increased in 1979 and that both the quantity and total value of imports of leather wearing apparel have decreased. Importer questionnaire responses tend to corroborate these 1978 and 1979 comparisons.

Another observation, made from the 1-percent sample and confirmed with U.S. Department of Commerce statistics, is that approximately 50 percent of all U.S. imports of leather wearing apparel is imported via air freight into New York City's JFK airport. Such imports come from all over the world, and they have slightly higher average unit values than imports not air freighted in. The use of air freight indicates that either prices or markups are relatively high compared with freight charges. It also minimizes the advantage domestic producers would normally have in being located near the major domestic markets. While importer markup information varies significantly (ranging between 15 and 50 percent), c.i.f. values were only about 6 percent above customs values (f.o.b.) for leather wearing apparel imports as a whole in 1978. GSP cut the average duty to only about 4 percent in 1978, according to the U.S. Department of Commerce figures. 1/

Questionnaire data on total imports are shown in table 15. This table combines imports by importers and by domestic producers. These questionnaires account for between 16 and 20 percent of the total value of imports of men's and women's leather wearing apparel. Because the data included a high

1/ FT 135, U.S. Department of Commerce.

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Table 13.--Leather wearing apparel: Percentage distribution of U.S. imports, by ranges of average unit values and by categories, 1978 and 1979

(In percent)

TSUSA item and year	0-$10.00	$10.01-$20.00	$20.01-$30.00	$30.01-$40.00	$40.01-$50.00	$50.01-$60.00	$60.01-$70.00	$70.01-$80.00	$80.01-$90.00	$90.01-$100.00	$100.01-$125.00	$125.01-$150.00	Over $150.00
Quantity:													
Men's coats and jackets (TSUSA item 791.75 or .7660):													
1979	1.2	21.5	17.3	26.2	11.4	11.3	5.3	2.2	1.3	.1	1.6	.2	.4
Women's coats and jackets (TSUSA item 791.75 or .7640):													
1979	2.1	16.9	31.9	20.6	9.5	9.8	3.8	2.4	1.4	1.1	.2	.2	.1
Value:													
Men's coats and jackets (TSUSA item 791.75 or .7660):													
1979	.3	8.2	12.1	24.4	14.1	16.4	9.1	4.3	2.9	.2	5.1	.8	2.1
Women's coats and jackets (TSUSA item 791.75 or .7640):													
1979	.5	7.8	23.6	20.6	11.5	15.4	6.8	5.0	3.3	2.9	.7	.7	1.2

Source: The 6-percent sample.

Table 14.--Leather wearing apparel: Average unit values of imports, by sources and by types, 1975-79

	Men's coats	Men's jackets	Men's coats and jackets 1/	Women's coats	Women's jackets	Women's coats and jackets 1/	Total coats	Total jackets	Total coats and jackets 1/
Republic of Korea:									
1975	$ 32.52	$23.74	$ 27.57	$ 30.27	$17.63	$ 23.73	$ 31.54	$20.74	$ 25.67
1976	44.53	26.50	29.62	42.59	15.54	20.93	43.23	19.77	25.22
1977	-	23.81	23.81	40.90	17.74	24.21	40.90	20.19	24.63
1978	42.22	21.84	26.78	35.99	17.26	20.11	3 .25	19.01	22.94
1979	52.13	24.35	28.12	54.70	23.47	31.73	53.50	24.06	29.47
Taiwan:									
1975	45.62	31.99	36.74	26.91	16.85	19.54	36.12	21.12	25.85
1976	49.86	20.25	32.02	36.15	18.62	23.60	41.10	19.04	26.07
1977	49.40	27.68	32.96	47.90	23.55	29.05	48.32	24.62	30.08
1978	48.55	18.59	21.62	51.61	23.13	33.29	51.01	20.64	27.86
1979	67.67	40.63	49.73	65.46	21.56	23.62	67.53	30.66	38.32
Argentina:									
1975	31.66	27.49	28.70	34.59	21.99	26.98	34.15	23.71	27.33
1976	34.52	30.07	30.83	31.39	24.56	25.14	33.74	27.73	28.46
1977	44.74	29.06	31.88	34.11	25.27	28.97	37.11	27.47	30.32
1978	53.37	27.44	35.01	41.69	26.45	30.02	43.91	26.59	30.89
1979	34.46	36.65	36.09	58.03	30.19	33.34	42.44	31.17	34.10
Hong Kong:									
1975	26.02	20.30	21.62	33.99	15.23	18.04	31.55	16.28	18.84
1976	46.38	39.12	41.65	-	22.83	72.83	46.38	30.28	33.44
1977	50.76	26.87	28.87	42.31	41.82	42.05	44.85	29.94	32.86
1978	55.94	23.82	27.59	52.48	27.70	40.04	53.01	25.27	33.26
1979	50.03	21.35	27.42	72.12	42.58	55.42	59.02	25.44	34.43
Uruguay:									
1975	45.06	28.46	31.67	36.49	21.35	26.97	41.71	26.25	30.19
1976	43.71	29.92	33.15	39.02	25.92	32.49	42.56	29.26	33.01
1977	42.25	33.86	36.66	38.05	26.59	29.86	40.07	29.68	32.49
1978	38.21	38.63	38.43	46.02	25.90	30.77	43.15	28.05	32.35
1979	57.36	38.77	43.00	68.57	33.09	39.56	66.25	34.15	40.25
Brazil:									
1975	34.07	26.70	28.08	27.35	23.63	25.12	31.70	26.25	27.56
1976	44.69	30.31	34.14	40.64	25.26	26.69	44.53	29.66	33.34
1977	42.65	29.26	33.35	48.74	43.45	46.80	45.41	31.73	37.19
1978	45.27	34.71	38.06	52.92	31.98	34.95	46.43	33.79	37.17
1979	58.71	39.54	50.52	-	37.11	37.11	58.71	39.36	50.07
Spain:									
1975	80.56	50.98	61.26	77.79	49.10	58.36	79.46	50.07	60.23
1976	72.47	55.75	45.70	55.73	60.03	60.28	62.22	57.37	60.16
1977	75.33	53.00	67.73	77.50	55.22	62.78	76.24	54.62	64.85
1978	118.11	72.78	80.74	182.40	59.09	143.24	150.49	71.53	93.68
1979	123.18	74.37	100.56	115.64	94.40	103.09	121.92	79.40	101.09
Israel:									
1975	66.13	44.08	55.07	62.99	47.72	58.06	64.66	45.00	56.20
1976	61.08	42.44	50.50	69.11	60.33	65.36	65.30	49.32	59.02
1977	84.86	59.52	64.99	107.36	85.96	96.30	97.57	66.83	76.48
1978	116.23	73.60	89.37	102.28	64.19	81.34	107.63	68.56	84.80
1979	119.62	76.43	83.73	105.76	82.96	96.24	110.64	77.81	88.08
Other:									
1975	-	-	-	-	-	-	-	-	38.77
1976	-	-	-	-	-	-	-	-	41.88
1977	-	-	-	-	-	-	-	-	53.67
1978	-	-	-	-	-	-	-	-	60.38
1979	-	-	-	-	-	-	-	-	59.60
Total: 1/									
1975	41.42	28.28	33.46	34.02	19.16	24.90	37.26	23.68	29.63
1976	46.93	29.20	33.02	43.86	18.57	24.45	45.37	23.61	30.30
1977	48.66	28.11	31.43	42.97	22.85	28.84	44.43	25.26	31.10
1978	45.55	25.18	30.12	45.38	21.57	26.74	45.44	22.89	28.63
1979	57.08	28.46	35.76	62.34	28.14	35.03	58.97	28.32	36.41

1/ Includes unidentified coats and jackets.

Source: Compiled from the New York sample.

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proportion of responses from importers of high-fashion apparel, these figures are likely to be high and unrepresentative. However, trends in imports developed from these questionnaires were corroborated by the samples. The questionnaire data show imports of men's coats and jackets increasing in quantity and value in every period. Average unit values (landed, duty paid) for men's coats and jackets were highest in 1978, but declined in January-August 1979 compared with the unit values in the corresponding months of 1978. There have been no consistent trends in average unit values of U.S. imports of women's coats and jackets since 1976. However, the steep rise in average unit values in January-August 1979 corresponded to a sharp fall in the quantity and value of such imports, after 3 years of steady growth.

The rise in value of imports of men's coats and jackets and the fall in value of imports of women's coats and jackets (noted in the IM 146) in January-August 1979, are confirmed both in the questionnaire responses and in the 1-percent sample analysis, and are believed to be attributable in large part to price movements of the respective products. However, the New York sample shows a different trend for men's leather wearing apparel, with the average unit value rising in January-August 1979 and the quantity imported falling. This inconsistency (the only inconsistency between the samples) is due to the high estimated average unit value in the 1-percent sample for 1978. Both samples give a similar average unit value estimate for January-August 1979.

Average unit values of domestic shipments.--Data on domestic producers shipments of leather wearing apparel were obtained by questionnaires for each of the years 1975-78, for January-August 1978, and for January-August 1979. The number of firms reporting data was 47, and the total value of the shipments reported for 1979 was 71 percent of the total value of shipments reported by the Bureau of the Census in its Census of Manufacturers for 1977. This data is felt to be representative of the average unit values and trends of the underlying population of domestic shipments as a whole. The estimated quantities, values, and average unit values of domestic shipments are shown in table 4. The average unit values of both men's and women's leather coats and jackets have increased every year from 1976 through 1978, increasing overall by 14 and 20 percent, respectively. They rose again in January-August 1979 by 11 percent and 24 percent, respectively. However, the average unit values from 1976 though 1978 increased less than the wholesale leather prices shown in U.S. Department of Commerce publications. 1/

The quantity of domestic shipments of men's coats and jackets declined 9 percent from 1976 through 1978 and another 8 percent in January-August 1979. The total value of shipments of men's coats and jackets rose 4 percent from 1976 through 1978, and rose 2 percent more in January-August 1979, compared with that in January-August 1978. Shipments of women's coats and jackets declined 31 percent in quantity and 17 percent in value from 1976 through 1978, and fell by about the same percentages again in January-August 1979.

Relationship of imports to domestic shipments.--As seen in the preceding sections, the average unit values of imports on a landed, duty-paid basis have

1/ Wholesale price indices, U.S. Department of Commerce.

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Table 15.--Leather coats and jackets: U.S. imports for consumption, by types, 1976-78, January-August 1978, and January-August 1979 1/

Item	1976	1977	1978	Jan.-Aug. 1978	Jan.-Aug. 1979
Best questionnaire data: 2/					
Quantity:					
Men's----------units--	221,606	304,641	406,398	241,570	345,478
Women's----------do----	330,181	399,379	451,048	334,148	162,278
Total----------do----	551,787	704,020	857,446	575,718	507,756
Value:					
Men's--------1,000 dollars--	9,820	11,129.1	23,139.1	10,971.3	15,362.4
Women's----------do----	21,331	22,850	25,657	17,105	11,771
Total----------do----	31,151	33,979.1	48,796.1	28,076.3	27,133.4
Average unit value:					
Men's----------per piece--	$44.31	$36.53	$56.94	$45.42	$44.47
Women's----------do----	64.60	57.21	56.88	51.19	72.54
Average----------do----	56.45	48.26	56.91	48.77	53.44
Total questionnaire data: 3/					
Quantity:					
Men's----------units--	228,606	330,559	495,903	242,270	477,097
Women's----------do----	330,181	399,379	518,401	337,302	165,553
Total----------do----	558,787	729,938	1,014,304	579,572	642,650
Value:					
Men's--------1,000 dollars--	10,170	12,040.1	26,489.8	11,013.7	20,157.7
Women's----------do----	21,331	22,850	27,788	17,269	12,090.4
Total----------do----	31,501	34,890.1	54,277.8	28,282.7	32,248.1
Average unit value:					
Men's----------per piece--	$44.49	$36.42	$53.42	$45.46	$42.25
Women's----------do----	64.60	57.21	53.60	51.20	73.03
Average----------do----	56.37	47.80	53.51	48.80	50.18

1/ Based on questionnaire responses from 31 importers which accounted for approximately 17 percent of total U.S. imports in 1978.

2/ "Best" data refers to questionnaires containing responses in all 3 years (for the annual totals) or in both January-August periods. The "best" data is thus useful for trends.

3/ Total sample data is the total of all import questionnaire data, even if only 1 period was reported. While it can't be used for trend analysis, the average unit values for each period are usually the best estimates, since the total sample contains all the data. Here the average unit values in the "best" and total samples are very close.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

fluctuated without any apparent trend during 1976-79. The quantities and values of imports rose through 1978, and then fell in 1979 because of the steep fall in quantity and value of imports of women's leather wearing apparel. Conversely, the average unit values of domestic shipments have been rising, while quantities and, in some cases, total values have been falling. In every period, the average unit value of imports (landed, duty paid with 20-percent importer markup), was below the average unit value of domestic shipments for both men's and women's coats and jackets.

Importers and domestic producers were asked to give the lowest net selling price for a specified men's jacket and a specified women's coat. The importer respondents were in many cases the higher fashion importers which import from Europe rather than the Far East and this distorted the response. F.o.b. foreign port values in the 1-percent sample for these imports were much higher (28 to 100 percent higher) than the average f.o.b. foreign port values for all imports. The 1-percent sample and the New York sample both confirm the questionnaire responses on this item to be unrepresentative, and so the responses are not shown.

Price comparison at the retail level.--Importer-retailers were asked to provide the purchase price of comparable items from domestic and foreign sources. While responses were sparse, in almost every case imports were purchased at a lower price than the comparable domestic product. The results are shown in table 16. The actual margin of underselling is thought to be much higher than shown. Only a few retailers responded and the results are unweighted averages.

It might be noted that if the imports were higher priced than the domestic product, as implied when the unrepresentative import questionnaire data are compared with the domestic producer questionnaire data, testimony in the hearing and in the briefs might have been very different--importers would have charged that the relatively low quality of U.S. goods were the major cause of any injury and domestic producers would have had to counter that imports even of higher quality and value were the major cause of injury. Instead, domestic producers complained about low-priced imports and importers argued that certain high-fashion imports were not competing with domestic goods and should be exempt from any remedy. Retailers in this and past investigations have said the imports are of comparable quality to the U.S. goods.

The importer-retailer questionnaires and the survey of retailers in New York indicated import prices are between 3 percent and 30 percent below the comparable domestic product. Some retailers did not give actual purchase prices, but said imports were bought for as much as 40 percent below the domestic product. These ranges encompass the margins of underselling from the sample data as shown in table 17.

Confirming that import prices are less than the price of the comparable domestic item, nearly every domestic producer that also imports said price was an important factor, if not the most important factor in its purchasing decision. All but one importer-retailer also said price was a very important

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Table 16.--Leather coats and jackets: Average prices 1/ of specified products, 2/ January-June 1975 to July-December 1979

(Per item)

	1975		1976		1977		1978		1979	
	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.
Lowest net purchase price by retailer:										
"Best" data 3/:										
Men's U.S.-made	-	-	-	-	$ 90.00	$ 90.00	$ 71.00	$ 71.00	$ 65.00	-
Men's foreign-made	-	-	-	-	79.00	79.00	62.00	62.00	56.00	-
Difference	-	-	-	-	11.00	11.00	9.00	9.00	9.00	-
Women's U.S.-made	-	-	$ 73.00	$ 73.00	49.00	49.00	78.00	67.67	88.00	$ 95.00
Women's foreign-made	-	-	58.00	58.00	48.00	52.50	61.00	52.23	77.00	85.00
Difference	-	-	15.00	15.00	1.00	-3.50	17.00	15.44	11.00	10.00
Total questionnaire data: 4/:										
Men's U.S.-made	-	-	-	-	90.00	90.00	71.00	71.00	65.00	-
Men's foreign-made	$ 175.00	$ 198.00	205.00	211.00	107.08	109.75	108.25	110.92	123.00	-
Women's U.S.-made	65.00	65.00	73.00	73.00	64.50	64.50	78.00	67.67	88.00	95.00
Women's foreign-made	160.00	172.00	98.65	101.32	108.88	113.31	97.48	89.34	117.75	85.00

1/ Prices were to be lowest net actual prices, (i.e., they should reflect all discounts, trade, cash, quality or other discounts, allowances, and rebates), and should represent sales of commercial quantities--not sample or introductory prices.

2/ Men's jacket of soft grain cowhide, of full-grained (not corrected) leather, 25 inches in length, pigment finish, self collar, zipper front, unbelted, untrimmed, manmade fiber lining, 2 pockets. Women's coat of soft grain cowhide, of full-grained (not corrected) leather, 45 inches in length, pigment finish, bottom front, belted with buckle, notched collar, untrimmed, manmade fiber lining.

3/ "Best" data refers to questionnaires containing responses in all periods requested, except in the case of retailers lowest net purchase price. The "best" data from retailers was not even the same product in different periods, but at least showed the purchase price of the same U.S. and foreign made product in each period.

4/ Total questionnaire data was a tabulation of all data received, even if for only 1 period.

Source: Questionnaire data as tabulated by the staff of the United States International Trade Commission.

Table 17.--Leather wearing apparel: Import average unit values at various stages, and U.S. producer's shipments average unit values, by source of estimate, 1975-79

(Per piece)

Item	1975	1976	1977	1978	1979 1/
FOB, Foreign Port: 2/					
Men's coats and jackets:					
New York sample	33.46	33.02	31.43	30.12	35.76
1-percent sample	-	-	-	42.71	37.98
Women's coats and jackets:					
New York sample	24.90	24.45	28.84	26.74	35.03
1-percent sample	-	-	-	28.82	36.18
Total coats and jackets:					
New York sample	29.63	30.30	31.10	28.63	36.41
1-percent sample	-	-	26.97	33.98	36.33
Landed, duty-paid value: 3/					
Men's coats and jackets:					
New York sample	36.80	36.32	34.57	33.13	39.34
1-percent sample	-	-	-	46.98	41.78
Best importer questionnaires	-	44.31	36.53	56.94	44.47
Total importer questionnaires	-	44.49	36.42	53.42	42.25
Women's coats and jackets:					
New York sample	27.39	26.90	31.72	29.41	38.53
1-percent sample	-	-	-	31.70	39.80
Best importer questionnaires	-	64.60	57.21	56.88	72.54
Total importer questionnaires	-	64.60	57.21	53.60	73.03
Total coats and jackets:					
New York sample	32.59	33.33	34.21	31.49	40.05
1-percent sample	-	-	29.67	37.38	39.96
Best importer questionnaires	-	56.45	48.26	56.91	53.44
Total importer questionnaires	-	56.17	47.80	53.51	50.18
Landed, duty-paid, with markup: 4/					
Men's coats and jackets:					
New York sample	44.18	43.58	41.49	39.76	47.20
1-percent sample	-	-	-	56.38	50.13
Best importer questionnaires	-	53.17	43.84	68.33	53.36
Total importer questionnaires	-	53.39	43.70	64.10	50.70
Women's coats and jackets:					
New York sample	32.87	32.27	38/07	35.30	46.24
1-percent sample	-	-	-	38.04	47.76
Best importer questionnaires	-	77.52	68.65	68.26	87.05
Total importer questionnaires	-	77.52	68.65	64.32	87.64
Total coats and jackets:					
New York sample	39.11	40.00	41.05	37.79	48.06
1-percent sample	-	-	35.60	44.85	47.96
Best importer questionnaires	-	67.74	57.91	68.29	64.13
Total importer questionnaires	-	67.64	57.36	64.21	60.22
U.S. producer's shipments:					
Men's coats and jackets	53.82	56.55	60.81	64.66	68.56
Women's coats and jackets	64.48	75.27	81.42	90.55	107.61
Total coats and jackets	56.86	61.20	65.74	69.82	74.56

1/ New York sample represents full years; 1-percent sample represents January-September 1979; questionnaire data represents January-August 1979.

2/ New York sample average unit values for men's and women's coats and jackets included are average unit values for the 9 countries named in table 14. The total coats and jackets average unit values also include all other countries. The average unit values totals in the 1-percent sample also include other than coats and jackets.

3/ 10 percent added to f.o.b. foreign paid average unit values.

4/ 20 percent added to landed, duty-paid average unit values.

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factor in their purchasing decisions (the exception being a well-known high-fashion house).

Efforts of U.S. leather wearing apparel producers to compete with imports

As part of its investigation, the Commission asked U.S. producers of leather wearing apparel to supply it with information relating to their efforts to better compete with imports. Of the 14 producers which responded, five stated that they have established offshore facilities and have begun to import leather and leather garments to lower unit costs and fill-in product lines. Five firms cited improvements or purchases of new machinery to increase efficiency, and four firms mentioned efforts to cut materials and production costs. Other efforts mentioned by the respondents included expansion of sales forces, increased emphasis on styling, and the installation of computerized inventory and billing systems.

Possible Substantial Causes of Serious Injury, or the Threat Thereof, Other Than Increased Imports

Hide prices and restrictive export practices

It is estimated that the cost of leather comprises approximately 54 percent of the cost of manufacturing an article of leather wearing apparel. 1/ Thus the cost of leather is of major concern to domestic producers of leather wearing apparel, whose products face competition not only from fur and cloth garments, but also from imports of leather wearing apparel from countries where labor costs are lower, and that may benefit from artifically low prices for hides, skins, and tanned leather.

Prices of hides, skins, and tanned leaather in the U.S. market are by nature volatile, as the supply of hides is determined by cyclical trends in animal slaughter for meat, not by price and demand of the hides themselves. Hence, the tanning and leather wearing apparel industries are dependent on an almost perfectly inelastic supply of hides. 2/ Furthermore, the United States, although the world's largest hide producing country, is also one of the few countries which allows unrestricted exports of its hides. Although the United States accounted for approximately 25 percent of world production of hides in 1976-78, it accounted for 44 percent of world trade in these articles during the same period. Sixty percent of U.S. hides were exported in 1978. These rising exports, coupled with a cyclical low point in cattle slaughter, resulted in a severe inflation in the U.S. wholesale price of hides, skins, and tanned leathers in 1978 and 1979, as indicated in table 18.

1/ See Certain Leather Wearing Apparel From Colombia and Brazil; Determinations of No Injury. . ., in Investigation Nos. 303-TA-6 and 303-TA-7 . . ., USITC Publication 948, February 1979.

2/ See The Structure, Pricing Characteristics, and Trade Policy of the Hides, Skins, Leather, and Leather Products Industry, U.S. Department of Agriculture, July 1979, p. 18.

Table 18.--Leather wearing apparel: U.S. wholesale price indexes of all hides, skins, and tanned leather, 1967-78, and January-August 1979

1967=100

Year	All hides and skins		Tanned Leather	
	Index	Percentage change from previous year	Index	Percentage change from previous year
1967	100.0	-	100.0	-
1968	105.7	+5.7	102.1	+2.1
1969	124.1	+17.4	108.7	+6.5
1970	104.3	-16.0	107.7	-0.9
1971	115.1	+10.4	112.5	+4.5
1972	213.7	+85.7	140.4	+24.8
1973	253.9	+18.8	160.1	+14.0
1974	195.9	-22.8	154.3	-3.6
1975	174.5	-10.9	151.5	-1.8
1976	258.4	+48.1	188.1	+24.2
1977	286.8	+11.0	200.5	+6.6
1978	356.8	+24.4	234.9	+17.2
1979 (January-August)	575.6	+61.3	370.3	+57.6

Source: U.S. Department of Commerce, Consumer Goods Division.

The highwater mark for hides, skins, and tanned leather prices was May 1979, when the price index reached 666.9 for hides and skins, and 429.4 for tanned leather. By August 1979 the hide index retreated to 511.9 and the tanned leather index to 365.9, indicating a slow but steady increase in the availability of hides as more cattle and other animals are made available for slaughter.

In the early 1970's, many Latin American countries, some of which had been major suppliers of hides in world trade, began to restrict their hide exports to insure a stable supply of hides for their leather apparel and footwear industries. Methods of restricting exports of hides include export taxes (Uruguay), export licensing (Mexico), export embargoes (Brazil and Colombia), and export controls (Argentina). 1/ The result of these restrictions has been that Latin American leather wearing apparel producers sometimes pay less for their leathers than Unites States and other foreign producers of these articles. This cost advantage is increased when hides are in short supply in major exporting countries such as the United States. A

1/ Ibid; p. 4. On Aug. 10, 1979, the United States reached agreement with Argentina to replace its export controls on hides with a 20 percent export tax. This tax is to be reduced to zero by Oct. 1, 1981.

comparison of average prices of U.S. and selected South American hides, from which articles of garment leather are made, is presented in table 19.

Table 19.--Selected prices of U.S. and South American hides, by month, January 1978-September 1979

(U.S. cents per pound)

Period	Uruguayan garment weight cowhides	Argentinian garment weight cowhides 1/	U.S. light native cows
1978:			
January	28	21	48
February	24	21	48
March	27	21	46
April	32	23	48
May	36	22	47
June	42	26	49
July	49	26	53
August	54	29	58
September	52	37	61
October	54	40	64
November	54	48	69
December	56	46	69
Average	41	30	55
1979:			
January	57	51	76
February	63	68	88
March	89	85	110
April	117	73	112
May	115	66	108
June	122	62	91
July	110	51	81
August	105	52	80
September	106	57	75
Average	98	63	91

1/ Ibid, p. 4. On Aug. 10, 1979, the United States reached agreement with Argentina to replace its export controls on hides with a 20 percent export tax. This tax is to be reduced to zero by Oct. 1, 1981.

Source: U.S. Department of State and Tanner's Council of America.

Argentine garment leather hides undersold U.S. light native cowhides by an average 45 percent in 1978. The margin of underselling decreased to 31 percent in January-September 1979. Uruguayan hides undersold U.S. hides by an average 25 percent in 1978, but oversold them by an average of 7 percent in January-September 1979.

The raw material cost fluctuations experienced by these Latin American producers of leather wearing apparel may have been a contributing factor in the increase in those countries' exports of these articles to the United States from 1975 to 1978, and in the noticeable drop in exports from Uruguay in 1979. Imports of leather wearing apparel from countries that restrict hide exports are given in table 20.

Table 20.--Leather wearing apparel: U.S. imports for consumption from countries that restrict hide exports 1975-78, January-August 1978, and January-August 1979

Source	1975	1976	1977	1978	January-August	
					1978	1979
	Value (1,000 dollars)					
Argentina	2,903	9,689	18,307	43.825	25,249	14,881
Uruguay	8,461	17,778	24,241	34,226	21,590	9,423
Mexico	9,763	11,821	13,195	20,877	12,134	12,646
Brazil	4,715	4,939	4,732	8,935	4,259	3,182
Colombia	585	547	733	1,539	693	1,143
Total	26,427	44,774	61,208	109,402	63,925	41,275
	Share of apparent U.S. consumption (percent)					
Argentina	1.1	2.7	5.0	9.4	9.1	5.9
Uruguay	3.1	5.0	6.6	7.3	7.8	3.7
Mexico	3.6	3.3	3.6	4.5	4.4	5.0
Brazil	1.7	1.4	1.3	1.9	1.5	1.3
Colombia	0.2	0.2	0.2	0.3	0.3	0.5
Total	9.7	12.6	16.7	23.4	23.1	16.2

Source: Official statistics of the U.S. Department of Commerce.

Imports of leather wearing apparel from hide restrictive countries rose significantly during 1975-78, increasing from $26.4 million in 1975 to $109.4 million in 1978, or by 314 percent. The value of imports from these countries declined by 35 percent, however, in January-August 1979, when compared with the corresponding period in 1978. The share of such imports to apparent U.S. consumption increased 140 percent from 1975 to 1978, but decreased by 30 percent in January-August 1979, as compared with January-August 1978.

Imports of U.S. Producers

One recent trend in the leather wearing apparel industry is for domestic producers to switch to becoming primarily importers of these articles, or to import certain models and styles of garments in order to fill product lines. Domestic producers of leather wearing apparel were requested to provide data on their imports, and their reasons for importing leather wearing apparel rather than producing it in their domestic facilities. Import data were received from 18 U.S. producers, and are summarized in the following tabulation.

Period	Quantity	Value	Unit value
	Units	1,000 dollars	Per unit
1975	88,452	3,677	41.57
1976	151,405	7,640	50.46
1977	160,567	8,087	50.37
1978	278,265	14,149	50.85
January-August--			
1978	189,119	8,834	46.71
1979	257,504	12,827	49.81

Imports of respondents increased significantly during 1975-78, rising from 88,000 units in 1975 to 278,000 units in 1978, representing an increase of 215 percent. On a value basis the increase was even more marked, with imports increasing 285 percent from 1975 to 1978. Imports of respondents surged again in January-August 1979, rising 36 percent on a quantity basis and 45 percent on a value basis from the corresponding period of 1978.

Respondents were requested to rank their reasons for purchasing imports of these articles in lieu of producing them in their domestic facilities. Of the 17 producers which responded to this request, 15 ranked the lower cost of the imported article as a "very important" consideration in their purchases of imports; only one producer termed cost considerations "not at all important." The availability of the imported article was mentioned by four producers as a "very important" factor in their purchasing decisions. In contrast, 11 respondents ranked the styling of the imported article as "not at all important."

APPENDIX A

UNITED STATES INTERNATIONAL TRADE COMMISSION
NOTICE OF INVESTIGATION AND HEARING

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

LEATHER WEARING APPAREL

[TA-201-40]

Notice of Investigation and Hearing

Investigation instituted. Following receipt of a petition on July 24, 1979, filed on behalf of The National Outerwear and Sportswear Association, Amalgamated Clothing and Textile Workers Union, International Ladies' Garment Workers' Union, United Food and Commercial Workers' Union, and Tanners' Council of America, Inc., the United States International Trade Commission on August 3, 1979, instituted an investigation under section 201(b) of the Trade Act of 1974 to determine whether wearing apparel not especially provided for, of leather (described in item 791.76 of the Tariff Schedules of the United States (TSUS)), is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article.

Public hearing ordered. A public hearing in connection with this investigation will be held in New York, N.Y., beginning on Tuesday, November 6, 1979. The time and place of the hearing will be announced later. Requests for appearances at the hearing should be received in writing by the Secretary of the Commission at his office in Washington not later than noon, Thursday, November 1, 1979.

Inspection of petition. The petition filed in this case is available for public inspection at the Office of the Secretary, U.S. International Trade Commission and at the New York City office of the U.S. International Trade Commission, located at 6 World Trade Center.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: August 6, 1979

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APPENDIX B

GLOSSARY OF TERMS PERTAINING TO LEATHER WEARING APPAREL

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GLOSSARY

BUCKSKIN--Deer and elk skins, having the outer grain removed.

CABRETTA--A hair-type sheepskin; specificially, those from Brazil.

CALFSKIN--Skin from a young bovine, male or female.

CAPESKIN--From a sheep raised in South Africa.

CATTLEHIDE--General term for hides from a bovine of any breed or sex, but usually mature; includes bullhide, steerhide, cowhide, and sometimes kipskin.

COAT--An item of outerwear of more than 40 inches in length.

CORDOVAN--From a section of a horsehide called the shell.

CORRECTED LEATHER--Tanned leather from inferior hides, which undergone special processes in order to be marketable to garment makers.

COWHIDE--Hide from a mature female bovine that has produced a calf.

DOESKIN--From sheep or lambskin, usually with grain removed.

HIDE--The whole pelt from large animals (cattle, horse, etc.).

KIDSKIN--Skin from a kid, or a young goat.

KIPSKIN--Skin from a bovine, male or female, intermediate in size between a calf and mature animal.

LAMBSKIN--Skin from a lamb, or young sheep.

PELT--An untanned hide or skin with the hair on.

PIGSKIN--Skin from pigs and hogs.

RAWSTOCK--General term for hides or skins that a tanner has received in a preserved state, preparatory to tanning; a tanner's inventory of raw material.

SHEARLINGS--Wooled sheep and lambskins, tanned with the wool intact.

SHEEPSKIN--Skin from a mature sheep.

SKIN--The pelt fromn small animals (calf, sheep, goat, etc.).

SKIVER--The thin grain layer split from a sheepskin.

STEERHIDE--Hide from a mature male bovine, incapable of reproduction, having been raised for beef.

ANILINE FINISH--Full grain leather which has been colored with dyestuffs rather than pigments. Usually topped with a protein, resin or lacquer protective coating; can also be waxed.

BOARDED--A grain effect produced by folding a skin grain against grain and mechanically rolling the two surfaces back and forth against each other.

EMBOSSED--A mechancial process of permanently imprinting a great variety of unique grain effects into the leather surface. Done under considerable heat and pressure.

FULL GRAIN--Grain leather in which only the hair has been removed. Usually carries either an aniline or glazed finish.

GLAZED FINISH--Similar to an aniline finish except that the leather surface is polished to a high lustre by the action of glass or steel rollers under tremendous pressure.

GRAIN LEATHER--Hide and skins which have been processed with the grain, or outer surface, dressed for end use.

JACKET--An item of outerwear of less than 40 inches in length.

LEATHER--The pelt of an animal which has been transformed by tanning into a non-putrescible, useful material.

MINERAL TANNED--Leathers which have been tanned by any of several mineral substances, notably the salts of chromium, aluminum, and zirconium.

OIL TANNED--Leathers tanned with certain fish oils. Produces a very soft, pilable leather such as chamois.

PIGMENT FINISH--A process of coloring and coating the leather surface with colored pigments dispersed in film-forming chemicals called binders. The latter can be tailor-made to produce surfaces that are highly resistant to wear, fading, etc.

SIDE LEATHER--Cattle hide grain leather which, prior to processing, has been cut in half forming two "sides". Purpose is to reduce the size to better accomodate tanner equipment. Represents the largest volume of commerical leather currently produced.

SPLIT--The underneath layer of side leather which has been "split" off. Devoid of a natural grain, it may be either sueded or pigment finished and embossed.

SUEDE--Leathers that are finished by buffing the flesh (opposite the grain side) to produce a nap. Term refers to the napping process, and is unrelated to the type of skin used.

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